AITKEN UNDER ARREST
Ex-minister faces police in latest twist to libel fiasco
NEWS, SECTION 2

SPECIAL 40-PAGE, TWO SECTION PAPER
SECTION ONE: All you need to know about the Budget, including commentary by Andrew Marr, David Aaronovitch, and Hamish McRae
SECTION TWO: News, sport, features and fashion. Plus The Eye

SEXGATE: THE WHITEHOUSE FIGHTS BACK
Americans turn against Clinton
NEWS, SECTION 2

THE INDEPENDENT

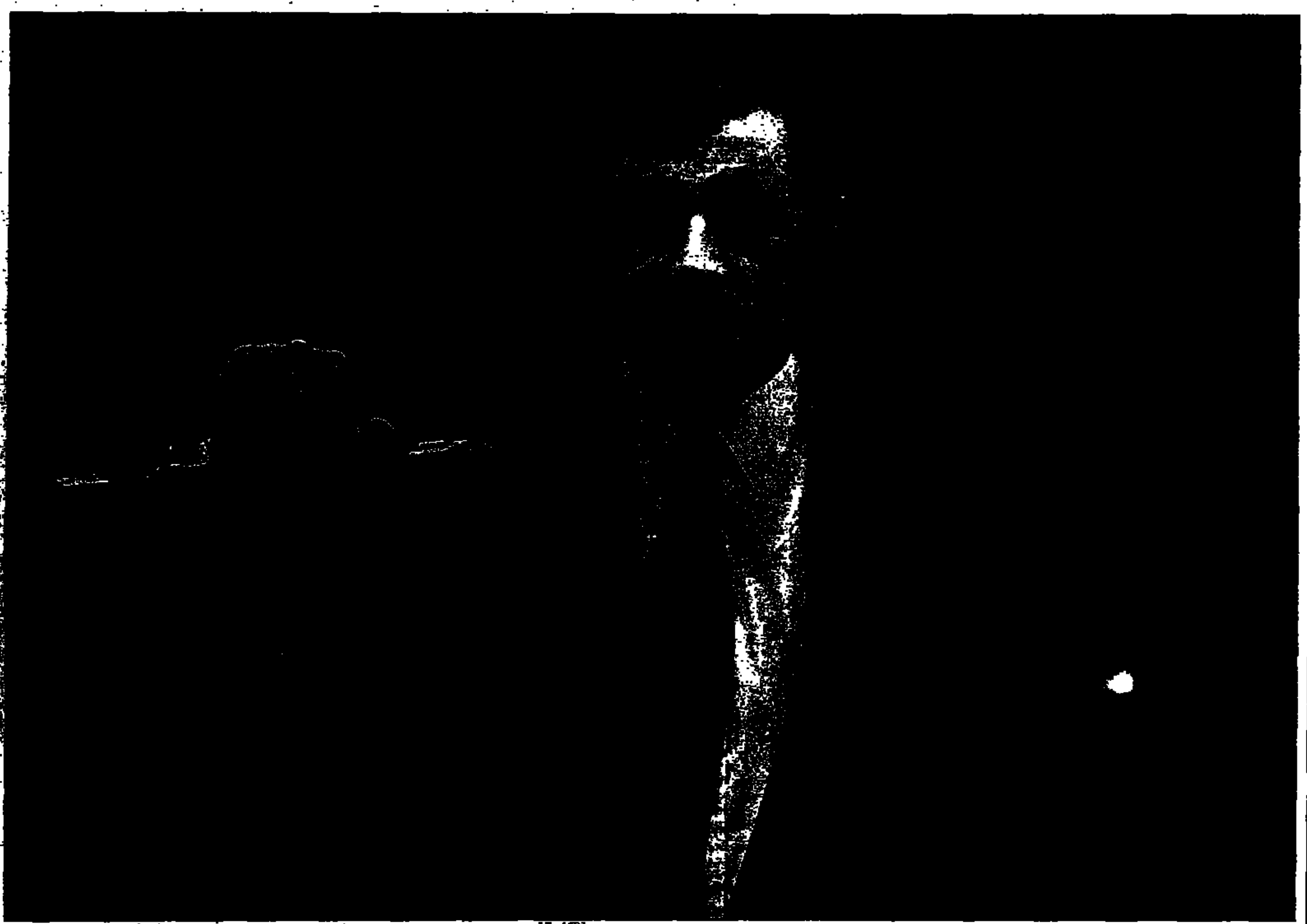
BUDGET SPECIAL

Wednesday 18 March 1998 45p (IR50p) No 3,561

Brown puts families and children first

■ Record rise in child benefit ■ Measures to make work pay ■ Caution sparks interest rate fears

By Anthony Bevins and Diane Coyle



Matching tie and box: The Chancellor, Gordon Brown, standing outside No 11 Downing Street yesterday Photograph: David Rose

GORDON BROWN yesterday offered cash help for families to give their children "the best start in life" in a cautiously balanced Budget designed to bolster fairness and enterprise.

The Chancellor of the Exchequer announced a package of help for young, and poorer, families which included a record bonus of £2.50 extra on child benefit for the first child from next April, and from next November another £2.50 for under-11s with parents on income support and family credit.

Summing up the surprise "Kids R Us" element of his package, Mr Brown said: "Giving the child the best start in life takes more than money, but it cannot be done without money."

It was a less austere Budget than many had expected from the Iron Chancellor, fanning fears that the Bank of England will have to raise interest rates. Higher mortgages cannot be ruled out following Mr Brown's announcements, damping home-buyers' relief that the Chancellor did not chip away any further at tax relief on mortgage interest payments.

Although the Budget will raise taxes from business, through speeding up payments of corporation tax, and drivers, through higher fuel duties, it distributes almost all the gain to working families on low pay.

The Treasury calculated that 5.5 million households with children would get increases in disposable income, with an average £250 a year. The poorest fifth of households with children – with 3.8 million children – would gain an average £500.

Introducing his second Budget, in which he offered a guaranteed family income of at least £180 a week through reform of the tax and benefits system, as well as more cash help with childcare costs, Mr Brown said: "By rewarding work at every level, everyone, and not just one section of society, benefits."

The Budget promised to target action against the poverty trap, and to create rewards for work for people moving off benefit and into jobs – along with a £1.2bn cut in National Insurance contributions next year, worth £65 a year.

Tax and benefits reform would be delivered through a working families tax credit, which will replace family credit from October next year, and will be payable through pay packets from April 2000.

One Labour Party spokesman said last night that Margaret Thatcher had falsely promised a "trickle down" of wealth in the 1980s; the Labour government was offering a leg-up, "ladder of opportunity for all".

That theme was well-received across the Commons, including private backing from some senior Tories. But William Hague told the House: "This Budget sends a clear message to the families that work hard and save hard: the Government is not on your side. It is a step by step betrayal of Britain."

The Chancellor also used a £1.5bn under-spend in this year's finances to provide another £500m for the NHS, £250m for schools and £175m for transport – including more investment in public transport and a £50m annual fund for rural transport.

However, Paddy Ashdown, the Liberal Democrat leader, said the Chancellor's increased inflation forecast, up from 2.75 per cent to 3 per cent, meant an effective cut of £750m in public spending, "cancelling out today's new money for education and health".

Mr Brown also promised help for museums to avert the threat of entrance charges, and as part of his enterprise package he pledged a cut of 1 per cent in corporation tax from April next year, down to 30p in the pound.

"This will be a Budget that demonstrates that a modern government with new ambition for Britain can advance both enterprise and fairness and can advance them together," he said.

Announcing the increase in child benefit, Mr Brown said: "I believe that child benefit remains the fairest, the most efficient and most cost-effective way of recognising the extra costs and responsibilities borne by all parents."

But he did warn that the move would be accompanied by a reduction in married couple's allowance, from 15 per cent to 10 per cent from April next year, and he told MPs that although more could and should be done to improve the benefit "in future years", there would be a case for higher rate taxpayers paying tax on it.

While some of Mr Brown's critics have been urging higher spending, the financial and business community had hoped he would take much more money out of the economy in order to take the pressure off interest rates. In fact, he will have put more money into most people's pockets when the changes take effect next year.

Although the Chancellor said yesterday he recognised that the strong pound was making life difficult for exporters, he has ruled out trying to fine tune the economy with tax and spending policy. The Treasury also pointed out that the combination of tax rises announced in July and tight spending control already added up to significantly tougher fiscal policy, equivalent to about 2 per cent on interest rates.

Even so, the fear that the cost of borrowing will still have to rise to keep inflation on track took the pound higher on the foreign exchanges yesterday. So while the Confederation of British Industry gave the Budget a broad welcome, Graham Mackenzie, director general of the Engineering Employers' Federation, said: "The key issue for engineering and manufacturing remains the exchange rate."

The financial markets were disappointed that the future outlook for government borrowing published by the Treasury was little changed despite a big improvement in the position since May.

"It leaves the pound at the mercy of the markets and puts the Bank's Monetary Policy Committee under a lot of pressure," warned Roger Bootle, chief economist at HSBC Markets, a City investment bank.

The pound aside, most businesses were pleased about the specific measures announced yesterday. Ian Peters of the British Chambers of Commerce described it as "a valuable Budget for enterprise and employment".

The British Retail Consortium welcomed the measures to improve rewards for the low paid and boost childcare.

AT A GLANCE

NATIONAL INSURANCE CUT
In 1999 employees paying NI contributions will get a cut of £66 a year. No NI contribution to be paid on first £81 of earnings each week.

HELP FOR WORKING FAMILIES
Tax and benefit reform aimed at encouraging families into work. Families with someone working full-time have a guaranteed income of at least £180 a week.

CHILD BENEFIT RAISED
Child benefit to remain universal and to be paid directly to mother. From next April £2.50p a week rise in child benefit for the first child in addition to inflation increases. Child Premium for under-11s on Income Support and Family Credit to be increased by £2.50 a week from November.

CORPORATION TAX DOWN
Main corporation tax cut by 1 per cent to 30 per cent. Small companies corporation tax down 1 per cent to 20 per cent.

BENEFITS EXTENDED FOR CARERS
The tax allowance available previously only to men with incapacitated wives now to be applied to women with children and an incapacitated husband. Backdated to April 1997.

PENNY ON A PINT, 21P ON CIGARETTES
From 1 January 1999 the cost of a pint of beer goes up by 1p and a bottle of wine by 4p; extra 21p on a pack of 20 cigarettes from 1 December, 12p on a 25g pack of pipe tobacco.

PETROL UP 4.4P
Unleaded petrol to rise by 4.4p per litre, leaded up by 4.9p per litre and diesel to rise by 5.5p. Vehicle excise duty frozen.

STAMP DUTY RAISED
Stamp Duty to rise by 2 per cent on houses over £250,000 and 3 per cent on property over £500,000. No further cuts in mortgage interest tax relief.

INFLATION ON TARGET
Inflation forecast to peak at 3 per cent this year and hit 2.5 per cent target in 1999. Borrowing expected to be £5bn; forecast for balanced budget by 2000.

☐ **We would like to thank Kidsons Impey for their assistance in the production of the tax tables and other graphical information contained in this issue.**

WHAT OUR COMMENTATORS SAY

Andrew Marr
"IT WAS drab, in the best possible way – all very Scottish and moral, in a 19th-century fashion ... But the best news for middle and higher income voters was that the spurious leaks suggesting the abolition of mortgage interest tax relief, or a crackdown on company cars, or the taxation of child benefit this year, simply never materialised. This will anger the left, and some economists, and all environmentalists; but we can think of it too as Uncle Tony's little present to the *Daily Mail*."

Donald Macintyre
"THE BUDGET played well among most of Brown's party colleagues. Opportunity, aspiration, ambition, enterprise: they are all Labour words now. And the party recognised it."

David Aaronovitch
"FATHER Brown's words were thrilling, like arrows."

Hamish McRae
"MR BROWN'S second Budget is like a meal at a Chinese restaurant. Hundreds of items, all neatly numbered but all tasting pretty much the same. There is no big idea here. There are lots of useful small ideas. A few million spent here, a few million saved there."

FOR TODAY'S OTHER NEWS, SEE SECTION 2

Israel fury at Cook
BRITISH aspirations to mediate between Israel and the Palestinians disintegrated last night when Israeli Prime Minister, Binyamin Netanyahu, cancelled a working dinner with the Foreign Secretary, Robin Cook. He was protesting at what the Israelis saw as a breach of faith when Mr Cook crossed a checkpoint near the contentious Har Homa building site in East Jerusalem and exchanged words with a local Palestinian MP, Salah Ta'amri. ... **Page 7**

Freemason defence
JUDGES should be able to keep their membership of the Freemasons a secret, Lord Bingham, the Lord Chief Justice, said yesterday. **Page 2**

Doctor before GMC
THE DOCTOR who supervised an operation on a six-year-old girl who died at Great Ormond Street Hospital, London, did not have the parents' consent, the General Medical Council was told yesterday. **Page 3**

Clinton peace vow
PRESIDENT CLINTON has confirmed his commitment to peace in Northern Ireland, pledging himself to a 30-hour marathon effort to try to close as many gaps as he can in the peace process. **Page 3**

Life after zero
THE POLICEMAN who spread the idea of zero tolerance in Britain now spends his days playing snooker, suspended from duty. **Page 6**

Abductions rise
THE NUMBER of children being abducted by a parent following a divorce has increased by 58 per cent since 1995, but one of the few organisations that offers help in Europe faces closure. **Page 5**

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WORKING FAMILIES TAX CREDIT

Help for low-paid families is more than doubled

By David Walker

AT A stroke yesterday the Chancellor lopped some £2.5bn off what is *conventionally called* "welfare spending" yet was able to claim credit for more than doubling the amount of financial help the Government is *offering families in* low-paid work, through the new Working Families Tax Credit.

This piece of fiscal magic involves *the abolition* in October next year of Family Credit, which registers on the spending totals of the Department of Social Security. Hey presto the WFTC *does not* appear on any official spending total at all: as a tax "credit", it will be paid out by the Inland Revenue which is not a spending *department* at all. Gordon Brown has given himself an immensely flexible mechanism which – privately at least – he says could allow *him to pump* more money into this sector of social support without inflating the welfare totals one bit.

The Treasury says WFTC represents both a large expansion of the money available to assist families with children where at least one member is working and a way of bringing more such families into the support net. While some 700,000 families qualify for Family Credit, when WFTC is up and running it will help 1.5 million families to the tune of £5bn.

Although the Chancellor's rhetoric says people should constantly be seeking ways to improve their jobs and incomes, the reform could be viewed as additional support from the state for an economic system able to provide jobs at below a socially-acceptable level of remuneration. The WFTC will, however, be introduced at the same time as Labour realises its promise to bring in a national minimum wage.

The main object is to improve the incentive to work among families with children currently earning in the range of £100 to £300 a week – and especially those with one or both partners currently unemployed or inactive who are considering whether to take a job. The effect, the Chancellor said, would be a kind of income guarantee. Thus every family which works sixteen hours at a rate of £3 an hour will be guaranteed take-home pay of at least £125 a week.

The official example is a two partner family with two young children earning £200 a week: they will now be £23 a week better off.

While Family Credit only ever reached three-quarters of those eligible, the Government hopes WFTC will be taken up by all those who pass the means test. That, in social security, is a pejorative term. The Government hopes that by transferring the actual work of assessing a family's circumstances to employers who are already familiar with National Insurance calculations and Pay As You Earn income tax, it will become much less a term of abuse.

Incidentally, the Treasury adds, WFTC ends the anomaly by which some half a million families simultaneously pay income tax to the Inland Revenue while receiving equal or greater amounts of money from the DSS. There ought to be some savings in civil service staff numbers here.

> 'There is no intention of returning to the system whereby women were treated as their husband's chattels'

The reform has the effect of transferring a considerable amount of social security administration to employers. But the Government says it is important to view the effects of the Budget on employers as a whole – the parallel changes in National Insurance will ease burdens.

The fear has been expressed that the more unscrupulous among them may misuse the new information they are getting about the family circumstances of their staff.

The WFTC is one of the key recommendations in the report to the Chancellor on work incentives by Martin Taylor, the Barclays Bank chief executive. Mr Taylor's report makes plain the gender worries surrounding the reform. Family Credit goes to women. Fears have been expressed that, as WFTC is paid in the wage packet, it would involve a transfer of income to men.

In some households it probably will. But the Treasury notes that 50 per cent of recipients of Family Credit are lone parents, the great majority women. In one out of 10 Family Credit couples the principal earner is female.

Under WFTC, it is estimated half the eligible households will have a man as the principal earner. By law the couple – who of need not be married to qualify – will have the right to choose which partner gets the tax credit. Again in a relatively small number of households (some 300,000 perhaps) where only the man works, the reform could involve a switch of state resources from women to men. It will be up to couples: women will be able to have the Inland Revenue make payments directly to them.

The Government however insists that WFTC will have no consequences for the principle, introduced by the Tories, that men and women living together have a right to be taxed separately. It says firmly it has "no intention of reverting to the system whereby women were treated as their husband's chattels".

One of the most significant claims made for the new credit is that the rate at which families lose it, as they earn more money, is far less dramatic than under Family Credit. This is the celebrated problem of "the poverty trap". Till now some families have faced very steep withdrawal rates – as they earned more they lost Family Credit and paid more income tax and National Insurance.

However, because WFTC will be available to more people further up the income ladder it will still be characterised by high "marginal withdrawal rates". This the Government admits but notes that the new system will still contain impressive incentives to prefer work to idleness, at least for one partner in a family.

Some families will now face even higher "marginal rates" but the Treasury says these will be relatively well off. "It is difficult to argue that those earning around £300 a week are entrapped in poverty."

CHILDCARE

New credit will fund two-thirds of costs

By Glenda Cooper
Social Affairs Correspondent

FAMILIES could receive up to £105 a week to pay for childcare costs after the Chancellor promised yesterday that such care would be affordable "for the many not just the few".

Childcare campaigners hailed the new childcare tax credit as "great news for parents and children" as Gordon Brown announced the measure which will cover up to 70 per cent of costs, up to £100 a week for the first child and £150 for two or more children.

"The rules we draw up ... will be designed to ensure that parents have access to high-quality childcare: childminders, day nurseries and out-of-school *clubs," Mr Brown said.* "A change that today makes a reality of choice for hard-working families previously denied it – childcare will from now on be affordable for the many and not just the few."

But the campaign for Tax Relief and Childcare (Trac) warned that while the move did much for parents on the lowest incomes, it would do little for those moderately better off. *The Independent*'s campaign for tax allowances urged Gordon Brown to help not only the poorest, but many other women who also struggle with childcare costs.

The credit will be paid in full for one-child families earning £14,000 and those with more than one child earning £17,000. After that it will gradually taper off, until one-child families earn £22,000 or two-children families £30,000.

In effect, families can only get the full amount if their net income is less than £90 a week. The figures are less generous than those trailed before the Budget which suggested that the Government would pay up to 75 per cent on families earning less than £20,000.

But affordable and quality childcare has been the main barrier in allowing women to go back to work. Nearly one-third of women have said that they were discouraged from returning to work after childbirth because of expensive childcare.

While in France local authorities and employers share costs and in Sweden public funds supply the main source of money, in the United Kingdom more than 90 per cent of childcare is paid for by parents themselves. As a result, lone mothers in the UK have some of the lowest employment rates in Europe. While 41 per cent are employed in the UK, double *that percentage* are employed in France.

Up until now, there has been little help for parents who have had to pay on average £6,000 a year of after-tax income for childcare – more than they spend on housing or food. The childcare disregard, introduced by the Conservatives, proved complex and last year's figures showed that only 35,000 out of a possible 150,000 recipients took it up.

"For the first time the Budget will make work pay for low-income parents and give their children the services they need," said Colette Kelleher, *director of the Daycare Trust.* "It will put money into parents' pockets and make a realistic contribution towards the cost of *childcare. The Budget will help* unlock potential and transform the lives of millions of people in Britain.

Anne Longfield, of the Kids' Club Network, added that the measures could affect up to a million families: "We are very pleased with the amount that the Chancellor has announced. We think it is very realistic and very generous. He has listened to parents."

Sue Monks, of Parents at Work, hailed it as a "major breakthrough". "For the first time, the Government has recognised that the high cost of childcare has been a real obstacle to equal opportunities for women and has kept millions of children in poverty," she said.

"The new childcare tax credit will open up opportunities for many families ... Alongside financial help with childcare, the Government must now prioritise the promotion of family-friendly employment practices which allow parents to balance the needs of their children and their employers."

But Steven Stanbury, the director of Trac, warned that the credit would not help with childcare costs for the vast majority of working parents and that there were no measures to encourage employers to contribute more to their employees' childcare costs. Currently, employers fund less than 1 per cent of the UK's £2.6bn annual childcare bill.

"The new childcare tax credit is clearly a welcome initiative, but it does nothing to help the many millions of working families who are not well off, and for whom childcare costs remain a huge burden," Mr Stanbury said. "The Chancellor has missed an opportunity to encourage employers to pay a more equal share of the nation's childcare costs."

LOW PAY FAMILY

Jude Gilpin, 30, and John Goodwin, 34 from Manchester. Two children: Freya, 4, Max 16 months. Mr Goodwin earns £5,500 a year working part-time in an art gallery. *They also get £50 a week in family credit*

Photograph: Martin Rickett/Newsteam

MS GILPIN and Mr Goodwin are winners from the Budget. The replacement of family credit with the working families tax credit gives them a guaranteed income of £180 a week. As they currently have just £155.76 a week coming in from Mr Gilpin's salary and their family credit, they will be £24.24 a better off.

Ms Gilpin said: "I was dreading the budget, I thought it was going to be really bad, but it did sound as if it was aimed at us more than other budgets have been. I didn't feel persecuted like I usually do."

The family, who have a mortgage of £190 a month, are particularly grateful that Miras will remain, although Ms Gilpin thought it would eventually be abolished.

They were also pleased with the extra £3.10 a week child benefit, although Ms Gilpin was angry that the Chancellor had not ended universal benefit. She said: "I thought something would be about this. I think it's wrong that everyone gets it - it's a bit barmy that someone on a big income qualifies. People on lower incomes could use that money a lot more. Rich people just use it as pocket money for the kids."

The introduction of credit for child care meant a great deal to the family. Mr Gilpin trained as an artist but earns little from it, so is considering returning to university rather than stay at the gallery. If he does, Ms Gilpin would have to get a job. She is considering getting a paid place in the crèche where she now volunteers. She said: "It is much more likely I will go back to work now they have brought in this help with child care. It will make a huge difference, and be a big help".

Mr Goodwin will have to pay about 10p a week more on beer, and Ms Gilpin about 30p on cigarettes. She said: "I don't mind paying more myself because I ought to give up anyway. But it's a bit of a tax on the poor.

Rosa Prince

CHILD BENEFIT

Married couples will pay for rise

By Glenda Cooper

THE CHANCELLOR yesterday gave a record 20 per cent increase in child benefit but warned higher-rate tax payers *they faced a future* tax on the payment.

Families will gain £130 a year from the change which sees the eldest child rate of benefit increased by £2.50 above inflation from April 1999.

Gordon Brown announced extra help for poor families with young children. From next November they will gain an additional £2.50 per week for [illegible] through increases in [illegible] child credits for dependent children under 11.

"We applaud the Government's decision to make tackling child poverty one of its *major aims," said Sally Witcher,* director of the Child Poverty Action Group. "We agree with the Government that work remains the best route out of poverty and we have long advocated that child benefit should be increased as part of the Government's welfare-to-work policy."

The Chancellor made it clear child benefit would remain, telling MPs that "society's support for, and investment in, the upbringing of children" will remain and will "remain universal".

Mr Brown said he believed three complementary changes had to be made: there would be no return to one-parent benefit: benefits should give more help to parents with young children and that he proposed to raise child benefit from next year by reducing married couples' allowance from 15 per cent to 10 per cent.

But the Chancellor added that "it must be right" to tax that benefit for higher rate tax payers.

"*For those* who want to see child benefit raised in future years the question undoubtedly arises as to whether it should be taxed for those at the top of the income scale," he said.

WINNERS AND LOSERS

The poor gain, but only a very little

By David Walker

Gordon Brown's Budget, according to preliminary calculations by the independent Institute for Fiscal Studies, is one a socialist might take some pride in - relatively speaking. It does appear to have benefited poor people at the (relative) expense of the better-off.

"For the first time in a long time," said Paul Johnson, the institute's deputy director, last night, the Budget is "clearly redistributionist, with substantial gains for low-income families at the expense of those at the very top of the income distribution."

But such judgements are themselves relative - this, after all, is the first full budget by a politician from the socialist camp since Denis Healey's in 1979.

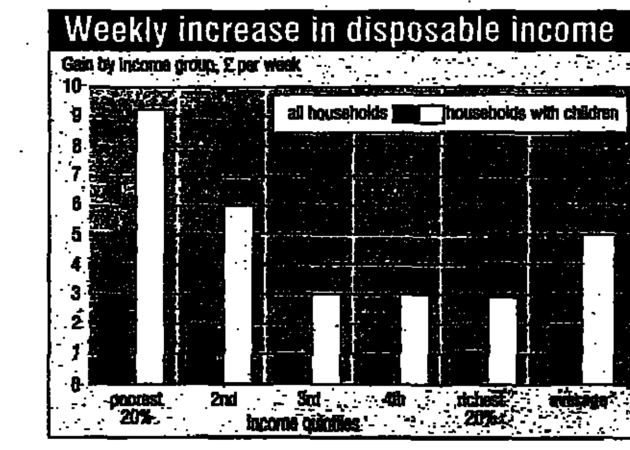
Gordon Brown's Budget has left poorer households marginally better off but the broad-gauge distribution of income has not shifted dramatically.

Most households in the upper-income bands look to have gained in net weekly income as a result of the Budget. But the amount of the gain gets smaller and smaller the nearer we get to the top people in society.

What is incontrovertible is that the proportionate gain in weekly income is both absolutely and relatively greater for the *poorest*, that is to say those in the bottom fifth of households in the income distribution. As significant as the small switch between income bands is the Chancellor's success in moving resources between households *with* and those without children. Mr Brown can certainly claim, in cash terms, that he has left children in households in the bottom bands of the income distribution materially better off - though £9 a week will not buy many extra meals at McDonald's. However, "poverty" and "low pay" remain the politically charged terms they always have been. Even if Mr Brown has succeeded in guaranteeing higher-weekly incomes to those in low-paid jobs, the jobs will not cease to be low-paid. The Low Pay Unit's estimate that 10 million people are in "low-paid" jobs is unlikely to have changed as a result of the Budget.

Some Treasury papers published with the Budget hinted that officials would like to see a more hard and fast definition of poverty - for example, that households with an income of £300 a week should definitely not thought to be "poor".

Weekly increase in disposable income



BUDGET BITE

Income tax was introduced in 1799 at two shillings in the pound (10 per cent) by William Pitt the Younger as a temporary measure to fund war against France. It has been with us ever since.

William Hartston

DUAL-INCOME FAMILY

Stephen Paul, 37, Janet Meadowcroft, 30, from Bath. Mr Paul has just started his own business and Miss Meadowcroft works in publishing.

Photograph: Chris Jones

WITH mortgages on a house in London and flat in Bath the main outgoings for Mr Paul and Miss Meadowcroft are their monthly repayments of £1,000. These are unlikely to change after the Budget, with no alterations to mortgage interest relief (Miras).

Even though there were few measures to benefit Mr Paul in the Budget he said he was pleased at the help for low-paid families.

He said: "Even though we don't have a family we hope to have one. We may not be in the low income bracket but I know it is incredibly hard to bring up children. The measures in the Budget are probably not enough for many families and I hope it is not just a token gesture. I will be looking to the Government to back up what they have announced, I hope it is not just a PR opportunity."

Mr Paul has just set up his own business, which produces art prints and posters, so any legislation which affects small business is crucial. The drop in the small business rate of corporation tax was welcomed by Mr Paul but he was disappointed that the Chancellor had offered no assurances to exporters.

"At the moment I am trying to export to the US but I am struggling because my prices are not particularly competitive.

"It is not very helpful to me but I suppose it means that one has to be more innovative to be competitive, and that in itself is not necessarily a bad thing."

Before the Budget Mr Paul was worried about resources for public transport so he welcomed the Chancellor's £500m investment. "Any increase in running a car would affect us. Janet and I do about 12,000 miles a year for work and pleasure. At the same time, Bath is a lovely town being killed by traffic. It is in a deep valley and on hot days the pollution is significant so anything the Government can do to invest in public transport and pedestrianisation is a welcome improvement."

Michael Greenwood

NEW INCOME TAX RATES

Biggest NI reform for a generation

By Andrew Verity

THE Chancellor yesterday handed out an unexpected tax break for 20 million employees as part of the biggest overhaul of National Insurance in a generation.

From April next year, no NI contributions will be payable on the first £81 of weekly income - meaning a saving of £1.28 a week for every employee.

The reform is part of a package of measures which will also encourage employers to hire more low-paid workers and will cost the Exchequer £1.4bn a year from next April.

However, the Chancellor also announced a radical change to employers' NI contributions which will lead to a big increase in the cost of employing higher-paid workers.

The changes are in line with recommendations from a report, published yesterday, of a comprehensive Tax and Benefit Review spearheaded by Martin Taylor, chief executive of Barclays Bank. It is also the first attempt in two decades to shift the tax burden from the lower to the higher-paid.

Under the reform, the Chancellor is abolishing the "entry fee" in the National Insurance system which requires employees to pay 2 per cent on all their earnings when their wages rise above the lower earnings limit of £64 a week.

Currently, when pay is just above the £64 limit, employees pay the 2 per cent rate on their entire earnings, rather than just the excess over £64.

The entry fee has been heavily criticised for imposing marginal rates of tax of more than 100 per cent on lower-paid employees who earn just over the threshold. Employees earning £64 - rather than £63 - were hit with tax of £1.28 on the extra £1.

The reform effectively makes the lower earnings limit for NICs identical to the personal allowance used for income tax, where tax is paid only on income over and above £4,045.

Under the change in employers' contributions, nothing is payable on wages up to £81 a week.

Above that level all employers' NICs will be levied at 12.2 per cent. The change will lift the tax burden for small employers who pay low wages. But the CBI fears it will sharply boost the cost of employing anyone who earns more than £440 a week.

Whereas it will cost the same or less to employ someone earning less than £22,900, the measure will add 2.2 per cent to the cost of paying wages above this level.

Under the current rules, a senior executive paid £100,000 would cost less than £9,500 in employers' NICs. In the new regime the employer would pay £11,700 in NICs.

Again, the system of employers' national insurance has been slated for encouraging companies to pay less than the lower earnings limit of £64 to part-time employees.

Government statistics show that employers "bunch" workers at pay below £64 a week in order to pay less NICs. The Chancellor hopes the reform, which will cost £1.4bn a year, will eliminate that effect.

The Confederation of British Industry yesterday welcomed the changes as giving a helping hand to smaller companies.

But it said higher-paid employees will find it tougher to get pay rises as employers absorbed the extra burden.

A spokesman said: "Companies will be worse off in respect of all employees who earn more than £440. Initially [the 12.2-per-cent rate] will only impact on employers. But ultimately, as with most tax increases, where the tax falls will depend on the employer. Employers will be more reluctant to give pay rises if they are paying extra."

In a separate development, Mr Brown cut tax breaks given to married couples in what he described as a means of funding a 20-per-cent increase in child benefit.

As well as getting full relief from income tax on the first £4,045 that each partner earns, married couples also get relief at 15 per cent on the next £1,830 of earnings. From April, this relief will now be cut to 10 per cent.

All other income-tax allowances are being raised in line with inflation from April this year.

Tax and Benefits Review, page 16
Income-tax tables, page 20

BUDGET BITE

Tax

vb to mug or steal from someone, leaving them with a proportion of their money. A miscreants' jargon term for partial robbery.
(*The Dictionary of Contemporary Slang*, 1997)

Carers p4

CARERS

Women benefit as sexist rule is axed

By Louise Jury

UP TO 9,000 women who care for a sick or disabled relative will benefit after the Chancellor ended sexism in the existing support system.

The disabled and long-term ill themselves also stand to benefit from the introduction of a new tax credit for those able to work.

For carers, the tax allowance had been available only to men with children whose wives were incapacitated is to be extended to mothers with dependent children and sick or disabled husbands.

Announcing the measure, which is worth £1,830 a year, Gordon Brown said he was ending "an injustice that the previous government tolerated" as a "first step to recognising the importance of carers within the family".

And he said that because of the importance he attached to ending the unfairness, the additional help is to be backdated to April last year.

The move delighted the Carers' National Association, which represents seven million men and women in Britain who act as carers and which has been lobbying for change for years.

Lady Pitkeathley, its chief executive who was made a Labour working peer last August, said: "The majority of carers are women, particularly at the heavy end of caring, and it was a very iniquitous and outdated discrimination. It is also important that they have recognised the importance of carers."

The move means, for example, that a mother with a husband suffering from multiple sclerosis could keep more of any part-time earnings. The association estimates it would cost the country £35bn a year if those currently looked after by carers were taken into residential care instead.

Announcing new measures to help disabled men and women work, the Chancellor said he would be systematically removing obstacles that currently prevent them from doing so, although the Government would never compel the disabled to work.

A new Disabled Person's Tax Credit, paid through the wage packet, will replace the Disability Working Allowance and be more generous, he said. It will include higher earning thresholds and pay 70 per cent of childcare costs.

And the Government is preparing a new personal adviser service for people with disabilities and long-term illnesses. It will help them find a job through training, work placements and work trials.

To encourage the disabled to take a job, the Chancellor announced that from October former claimants of long-term incapacity benefits who lose a job within one year of taking it will be able to return to benefit at whatever rate they were previously being paid.

He is also lifting the 16-hour limit on voluntary work for those on Incapacity Benefit, so that claimants can gain experience of work before taking paid employment.

Debbie Smith, of Mencap, the charity for people with learning disabilities, said it welcomed the fresh thinking, including the new tax credit. But she said there was little in the Budget for those unable to work.

"The Government's policy of 'off benefits into work' is an oversimplification," she said. "For most older disabled people and for many severely disabled people, the likelihood of paid employment is slim."

BUDGET BITE

The word **budget** is apparently derived from the French *bougette* – a little bag – which is opened to reveal the Chancellor's secrets.

THE PENSIONERS

Ernest Hallet, 71, and his wife Patricia, 60, from Leicester. Weekly income of £275 from state and occupational pensions, plus £2,000 interest a year from savings

Photograph:David Burner/Page One

ERNEST and Patricia Hallett, who took early retirement from her job as a teacher three years ago, are comfortable but not wealthy on their combined pensions. Mr Hallett, who used to be a print worker, is a volunteer for Pensioners' Voice, which campaigns for an increase in the state pension. He was furious that pensioners were not dealt with more prominently in the Budget.

He said: "The Chancellor never mentioned pensions at all! He talked about transporting wealth to those that need it most, well how can he ignore the 10-and-a-half million pensioners?"

Mr Hallett receives a basic state pension of £64.45 a week, which is increased to £119 with his Serps contributions. Mrs Hallett has an occupational pension of £119 a week. She qualified for a state pension of £37 when she turned 60 this year.

Mr Hallett said: "The Budget didn't even give us any hope for the future. For pensioners this is a very bad Budget. If I didn't know better I would be very disappointed, but I'm hardened to the fact that they ignore pensioners. With the numbers of pensioners we have got in this country we have the capacity to remove governments; and yet they ignore us."

The couple have a small car, which should qualify them for the £50 off road tax. However, the 4.4p increase per litre on unleaded petrol will cost them about a pound a week, more than cancelling out the road tax reduction.

Mr Hallett said: "It could be worse. I thought we might be hit by an increase in road tax. But the reduction is pretty much cancelled out, so that takes care of that."

The couple do not smoke, but spend about £10 a week on alcohol. Translating this to two bottles of wine a week, they will be 10p a week worse off from the 5p extra tax per bottle.

Mr Hallett said he was pleased with the extra money for public transport in the Budget.

"I'm all in favour of public transport, and would welcome any scheme to get people off the roads. They have made lots of cuts to public transport in Leicester," he said.

Rosa Prince

Social security benefits from April 1998

Rates weekly unless otherwise indicated. All figures £

	1997/98	1998/99
ATTENDANCE ALLOWANCE		
Higher rate	49.50	51.30
Lower rate	33.10	34.30
CHILD BENEFIT		
Elder or eldest qualifying child	11.05	11.45
Each subsequent child	9.00	9.30
Special allowance	11.20	11.30
COUNCIL TAX BENEFIT		
personal allowances		
Single, 18-24	38.90	39.85
Single, 25 plus	49.15	50.35
Lone parent, 18 plus	49.15	50.35
Couple, one or both over 18	77.15	79.00
Dependent children		
[illegible]	16.90	17.30
[illegible]	24.75	25.35
[illegible]	29.60	30.30
[illegible]		
[illegible]		
[illegible]		
[illegible]	49.50	51.30
[illegible]	33.10	34.30
[illegible]	13.15	13.60
[illegible]		
[illegible]	34.60	35.85
[illegible]	13.15	13.60
EARNINGS RULES		
[illegible]	50.00	50.00
[illegible]	46.50	48.00
[illegible]		
[illegible]	2418.00	2496.00
[illegible]		
[illegible]	2418.00	2496.00
FAMILY CREDIT		
[illegible]	47.65	48.80
[illegible]		
[illegible]	12.05	12.35
[illegible]	19.95	20.45
[illegible]	24.80	25.40
18	34.70	35.55
HOUSING BENEFIT		
personal allowances		
Single, 18-24	38.90	39.85
Single, 25 plus	49.15	50.35
Lone parent under 18	38.90	39.85
[illegible]	49.15	50.35
Couple both under 18	58.70	60.10
One or both over 18	77.15	79.00
Dependent children		
[illegible]	16.90	17.30
[illegible]	24.75	25.35
[illegible]	29.60	30.30
INCAPACITY BENEFIT		
Long-term	62.45	64.70
Short-term		
Under pension age,		
lower rate	47.10	48.80
Higher rate	55.70	57.70
Over pension age,		
[illegible]	59.90	62.05
[illegible]		
[illegible]		
[illegible]	13.15	13.60
[illegible]	6.60	6.80
[illegible]		
[illegible]	13.15	13.60
[illegible]	8.30	8.60
[illegible]	4.15	4.30

	1997/98	1998/99
INCOME SUPPORT		
Personal allowances		
Single under 18, usual rate	29.60	30.30
18-24	38.90	39.85
25 plus	49.15	50.35
Lone parent		
Under 18, usual rate	29.60	30.30
18 plus	49.15	50.35
Couple, both under 18	58.70	60.10
One or both 18 or over	77.15	79.00
Dependent children		
Under 12	16.90	17.30
12-16	24.75	25.35
16-19	29.60	30.30
Residential allowance	56.00	57.50
Greater London	62.00	64.00
Premiums		
Family	10.80	11.05
Lone parent	15.75	15.75
Pensioner, single	19.65	20.10
Couple	29.65	30.35
Pensioner (enhanced), single	21.85	22.35
Couple	32.75	33.55
Pensioner (higher), single	26.55	27.20
Couple	38.00	38.90
Disability, single	20.95	21.45
Couple	29.90	30.60
Severe disability, single	37.15	38.50
Couple (one qualifies)	37.15	38.50
Disabled child	20.95	77.00
Carer	13.35	13.60
Max amounts for accommodation and meals in residential care homes		
Old age	208.00	213.00
Very dependent elderly	240.00	247.00
Mental disorder (not handicap)	220.00	225.00
Drug/alcohol dependence	220.00	225.00
Mental handicap	250.00	257.00
Physical disablement		
Under pension age	285.00	292.00
Over pension age	208.00	213.00
INDUSTRIAL DEATH BENEFIT		
Widow's pension, higher rate	62.45	64.70
Lower rate	18.74	19.41
INDUSTRIAL DISABLEMENT PENSION		
18 plus or under 18 with dependents		
100 per cent	101.10	104.70
50 per cent	50.55	52.35
20 per cent	20.22	20.94
INVALID CARE ALLOWANCE	37.35	38.70
JOBSEEKERS ALLOWANCE		
personal allowances		
Single, under 18 usual rate	29.60	30.30
Single, 18-24	38.90	39.85
Single, 25 or over	49.15	50.35
Couple, both under 18	29.60	30.30
Couple, both over 18	77.15	79.00
MATERNITY ALLOWANCE		
Lower	48.35	50.10
Higher	55.70	57.70
ONE PARENT BENEFIT	NIL	NIL
RETIREMENT PENSION		
Category A or B	62.45	64.70
Category B (lower) husband's insurance	37.35	38.70
Category C or D non-contributory	37.35	38.70
Category C (lower) non-contributory	22.35	23.15

INDIVIDUAL SAVINGS ACCOUNTS

Cheer for PEPs as lid is lifted on transfers

By Nic Cicutti
Personal Finance Editor

CHANCELLOR Gordon Brown yesterday performed a spectacular U-turn by announcing that the £50,000 limit on transfers of existing PEPs and Tessas into the new Government-backed Individual Savings Account (ISA) will be scrapped.

In a move which Inland Revenue officials admitted will cost between £100m and £200m annually in foregone taxes, Mr Brown announced in his Budget speech that both PEPs and Tessas will no longer need to be switched into the new account.

Instead, they will be allowed to be "grandfathered", left as they are, even after the new ISA kicks in from April next year. Savers who have invested a total of up to £82,000 since PEPs were first introduced in 1987 will be able to shelter all that money, plus any gains, from tax.

Mr Brown also said the annual limit for investments into the ISA, which were originally set at £5,000 a year, with a lifetime cap of £50,000, will be raised to £7,000 in the first year ISAs are introduced – higher even than the present £6,000 annual limit.

The upper cap of £50,000, proposed by the Treasury in its consultation document last year, has been softened to a 10-year "guarantee" that ISAs will be left in place, with the promise of a further review after seven years. The cost of tax relief available through ISAs is expected to be between £1.2bn and £1.5bn a year.

The new proposals mark a stunning about-turn compared with the Government's proposals, which provoked accusations of hypocrisy when they were unveiled by Geoffrey Robinson, the Paymaster General.

Only days before the announcement, late last year, Mr Robinson, who was charged with justifying the new restrictive rules on ISAs compared with PEPs, was alleged to have been using offshore trusts as a way of minimising his own tax liabilities.

However, the fund management industry – which now expects a sales boom both of PEPs until April 1999 and ISAs after that – united yesterday to defend the Chancellor as someone who was "genuinely prepared to listen" to their representations.

Paul Kafka, marketing director at Fidelity, said: "We are delighted that the Chancellor has responded to the suggestions and concerns of fund managers. [These changes] will benefit millions of private investors in Britain."

Philip Warland, director general at the Association of Unit Trusts and Investment Funds, the industry trade body, said: "We are very pleased. We think these changes will go further in extending a savings culture across the nation."

Rowan Gormley, managing director at Virgin Direct, the investment and savings arm of Richard Branson's empire, claimed that, by maximising their ISA and PEP savings limits over the next 11 years, a couple who salted away £66,000 might see it grow to £220,000 – assuming projected rates of growth of 9 per cent.

Mr Branson added: "During the ISA consultation period, the Government promised to listen to the concerns of the industry, It has more than kept its promise. By letting existing PEP customers reap the benefits of their investments, the Government is sending a clear message to the nation: saving is good for you."

Mr Warland added that one side-effect of the revised regime meant that the current climate of uncertainty, in which many PEP providers have faced dramatic drops in business volumes as investors waited for ISAs to be introduced next year, would no longer apply. While unit trust PEP sales reached £242m in January, this compared with £282 in the same month last year. This slowing down is expected to be reversed almost overnight.

Some providers predict a massive boom in PEP sales now that their future over the next 12 months is certain. Don Clarke, of PEPDirect, a Wolverhampton-based discount PEP broker, said: "I'm looking to it with a combination of excitement and dread. There's no doubt that by allowing PEPs to stay in place after the ISA comes in, although no further payments into one can be made after April next year, it will stimulate sales until then. Thereafter, we can provide a seamless transition into the ISA."

In a move to encourage smaller investors, Mr Brown said yesterday that the Treasury will increase the cash component that can be placed in an ISA in the first year from £1,000 to £3,000. A further £1,000 placed in an insurance policy can also be sheltered tax-free in an ISA. Alternatively, savers will be able to put a full £7,000 in year one into equities.

Daniel Godrey, publicity manager at Save & Prosper, explained that by encouraging higher cash transfers, Mr Brown was responding to suggestions that smaller investors would be most likely to want to set up a small cash nest-egg in an ISA before considering equity-based alternatives.

The proposal also drew praise for the Chancellor from Mervyn Pedelty, chief executive at the Co-operative Bank, who said: "We welcome this change, which will encourage new people to start saving. It will allow us to promote a far more attractive scheme for smaller savers and not just benefit those who already have substantial investments."

Building societies also welcomed the fact that savers will be free to choose separate managers for the equity, cash and insurance components of their ISA, up to the annual limit, a decision said to improve competition between providers.

Adrian Coles, director general at the Building Societies Association said: "The announcement that consumers can have three ISA managers a year will enable investors to shop around for the best individual deposit, equity and insurance deal.

"A single manager would have restricted consumer choice and meant opting for the best combination rather than the best individual products."

THE INVESTORS

Robert Jackson, 75, Tina Jackson, 60, of Norfolk. Peps: £80,000. Private and state pension: £14,000 a year net*

Photograph: Martin Pope

ROBERT JACKSON opened a supermarket 40 years ago, and invested in a large house and more recently in Peps.

"Since Peps came in we have invested the maximum possible every year. My wife and I have put in a total of £80,000 each and we are now getting a tax-free dividends of £10-12,000 a year," he said.

Reacting to Gordon Brown's speech, Mr Jackson was relieved that the entirety of the capital accumulated in his Peps would continue to enjoy tax relief. He said "I am happy with what he has said, I had a feeling that he would do a lot worse, so he seems to have listened to the vast number of people like myself who have worked hard for our savings.

Before the Budget yesterday, Mr Jackson was worried that the original proposals to roll Peps into the new Individual Savings Accounts (Isas) with £50,000 limits would leave him and his wife, Tina, with a substantial reduction in income.

Interest on savings above that limit would have been taxed, which Mr Jackson said was unfair: "I have been in business for 40 years so I invested money widely and expected to get through life without being a burden on anybody.

"We like to be free to spend our money and enjoy it, we worked hard for it seven days a week 11 hours a day. We have a big house which we have paid the mortgage on and we don't want to move."

Before the Budget, Mr Jackson was also worried about any changes in inheritance tax that could take away a large chunk of his estate, which he estimates is worth £750,000. Gordon Brown raised the threshold by £8,000, which is an improvement for Mr Jackson who hopes to pass as much of his estate on to his seven children.

* *The Jacksons asked 'The Independent' not to use their real names.*

Michael Greenwood

JOB INCENTIVES

£250m new deal for the unemployed

By Barrie Clement
Labour Editor

THE GOVERNMENT yesterday earmarked nearly £250m to extend its flagship New Deal programme for the unemployed.

Partly because its initial target group of young jobless people has shrunk, the Chancellor revealed that the scheme will expand.

The programme, the central part of its strategy of encouraging people off the dole, will offer 70,000 new places to the over 24s, who have been out of work for two years or more, at a further cost of £100m. The present programme is aimed at 18- to 24-year-olds who have been unemployed for six months or more.

As part of the extended scheme the over-50s who experience more difficulty in finding work will receive special help. The extension to New Deal will be piloted in the 12 "pathfinder" areas which are paving the way for the nationwide launch of programme for 18- to 26-year-olds.

For the first time 250,000 women who are the partners of unemployed men and over the age of 25 will also be offered "expert and personalised" help to find work through New Deal.

The initiative will cost £60m and will be paid for from the windfall tax on privatised utilities.

The Chancellor confirmed that Harriet Harman, the Secretary of State for Social Services, will announce next week a £10m project to provide expert help for lone parents who want to work and whose children are at school. Mr Brown said the Government would introduce a 12-week "linking rule" so that the parents do not risk losing benefits as a result of a brief period in work.

Another £15m has been earmarked for environmental projects on deprived estates which will be undertaken by participants in New Deal. It will aim at "improving neighbourhood management and increasing employment opportunity and quality of life".

More money will also be available through the New Deal for disabled people.

An extra £50m is to be spent on the "gateway" to the New Deal, which is an induction system to establish the skills of the unemployed and any needs they might have.

As part of the gateway process, participants are prepared for the four options available under New Deal. They are: subsidised employment with private companies; work with voluntary agencies; a place on the Government's environment task force; or full-time education and training.

Mr Brown has insisted that there is no "fifth option". Those who unreasonably refuse the offers will see their benefit cut by 40 per cent.

The Chancellor said New Deal would bring hope to hundreds of thousands of young and long-term unemployed people, to lone parents and the disabled.

"Progress so far has been very encouraging – the New Deal is already starting to deliver results. This Budget extends the initiative further – to bring new employment opportunities to those previously denied them."

Rodney Bickerstaffe, leader of Unison, the largest union in Britain, said that the measures constituted a step in the right direction, but that it was "a shame" that the Chancellor did not increase public investment to create more jobs in the long term.

BUDGET BITE

In 1996 in the United States, the 71-year-old "gun-toting granny" Mary Blanco pleaded not guilty to attempting to rob a gas station at gunpoint on the grounds that the Internal Revenue Service had driven her insane with their tax demands.

Tax loopholes p6

Rise in top stamp duty, but Miras safe

CLAMPDOWN ON TAX LOOPHOLES

Offshore trusts targeted in plan to recoup £1.5bn

By Nigel Cope
City Correspondent

THE CHANCELLOR carried out his pledge to crack down on tax avoidance with wide-ranging plans to close tax loopholes, including offshore trusts. However. tax experts immediately accused him of "overkill".

The Government's aim is to save £1.5bn in lost tax over the next three years. A consultative document on tax avoidance will be published next month with the aim of introducing a general anti-avoidance rule.

The move follows Gordon Brown's earlier pledge to clampdown on "shadowy men in sunny places", a reference to advisers who set up tax efficient trusts in tax havens in places like Jersey, Guernsey and the Cayman Islands.

The clampdown on offshore trusts alone is expected to yield £50m a year. The Chancellor said he wanted to create a "fairer, more comprehensive and more effective regime" for people setting up trusts. Geoffrey Robinson, the Paymaster General, was a high profile beneficiary of offshore trusts leading to criticism of him in the House of Commons.

Paul Wapshott, a tax partner at the accountants Price Waterhouse, said the squeeze on the tax avoidance tactics of wealthy individuals and their advisers was not a surprise. "This was expected and the Government had made continual references to this. They wanted to stamp out the so-call 'unacceptable face of tax avoidance'."

David Kilshaw, tax expert at KPMG, said the Chancellor had "gone into overkill" on trusts. Accountants insist the number of people involved in these schemes is far smaller than Mr Brown appears to believe. "He is squeezing (certain wealthy) people until their pips squeak," he said.

There are several changes to the tax treatment of offshore trusts. One brings the tax treatment of trusts set up before 1991 into line with those set up subsequently. From April next year, the gains made from these trusts will be subject to tax if the person who sets it up, their spouse or children can benefit.

The ruling will apply to asset disposals on or after 6 April 1999. This will enable people affected to re-organise their affairs. However, accountants said the deadline would "force people to realise their gains". If the trust held a company or a stake in a company they would be unlikely to wish to liquidate the trust's interests.

Further changes will affect those who set up trusts for grandchildren, and beneficiaries of trusts set up by individuals who are not domiciled or resident in the UK.

The Inland Revenue had already moved 10 days ago to stamp out one avoidance technique involving offshore trusts after tax advisers started marketing avoidance techniques in the run-up to the Budget.

The use of "temporary non-residence" has also been targeted. Previously individuals or companies have been able to avoid a tax charge by selling assets during a full tax year they spent resident abroad. Now those gains will be subject to capital gains if the period spent abroad is less than five years.

Mr Kilshaw said he was disappointed that offshore trusts set up before 1991 will now be subject to tax on a rising basis. He said people had made arrangements under one tax regime only "to have the goalposts moved". He said some of these trusts would include companies that would house substantial wealth.

Other anti-avoidance measures include:

■ A move to stamp out attempts by employers to avoid the payment of national insurance contributions and PAYE when paying bonuses and other payments to staff in assets that can then be turned into cash. Such schemes have involved payment in hay, trade debts and interests in offshore trusts. Previous methods, long since stamped out, have included banks paying City workers in gold bars or coffee beans.

■ New measures to stop some companies from trying to avoid the effects of the planned phasing out of income tax on profit related pay schemes. This relief will stop after 2000.

■ ∇ubstantial changes to the tax treatment of foreign earnings to counter exploitation. The Inland Revenue said the end of the "general foreign earnings deduction" would yield around £250m a year. This had previously enabled some UK residents to receive millions of pounds of income without it being taxed either in the UK or any other country. Beneficiaries have typically included rock stars who might spend a year on tour overseas and pay no tax.

Tax avoiders and their advisers have been braced for a crackdown since Mr Brown signalled his intention to "get tough" on the issue in his first Budget last July.

Whilst the previous government took a piecemeal approach to closing tax loopholes, the new Chancellor initiated a wide-ranging review of the various "scams". as a prelude to anti-avoidance legislation.

A recent paper by Martin Bridges, of the accountants Deloitte & Touche, put the sum lost to the Treasury through tax avoidance at £85bn a year.

£12m man: A row over Geoffrey Robinson's trust encouraged a crackdown on tax avoidance Photograph: David Rose

PROFILE

Fiasco that left a minister red-faced

By Kathy Marks

THE Chancellor's crackdown on tax avoidance follows the revelation that one of his Treasury ministers, Geoffrey Robinson, was a beneficiary of a £12.75m offshore trust.

The existence of the Guernsey-based Orion Trust, which was revealed by the *Independent on Sunday* newspaper, has proved a source of intense embarrassment for the Government. Labour campaigned vigorously against such tax loopholes while in opposition. and Gordon Brown's first Budget last July promised "vigorous pursuit" of tax avoidance.

Mr Robinson, the Paymaster-General and a close friend of Tony Blair, has strenuously denied any wrongdoing in his private financial affairs and insists that he has abided by all the rules governing ministerial conduct and potential conflicts of interest. However, he was criticised in January by Sir Gordon Downey, the parliamentary standards commissioner. and the Commons Standards and Privileges Committee. They cleared him of breaking any rules of the House but said that he should have declared the trust in the Register of Members' Interests.

There has been speculation that Mr Robinson. who is responsible for corporate tax affairs at the Treasury, may be moved from his post in a reshuffle.

The Government has been subjected to continuing pressure from the Conservatives over the Orion Trust, which was set up for Mr Robinson's family by Joska Bourgeois, a millionaire and long-standing friend who died in 1994. The minister's solicitors have said that the trust operates entirely independently of him. However, he has admitted suggesting to the trustees that they buy £10m of shares in TransTec, the engineering firm that he founded.

Mr Robinson, a millionaire businessman who owns a Tuscan villa where Mr Blair's family has spent holidays, was part of a Treasury team that reviewed ways of tackling tax avoidance. He withdrew from the project after the newspaper disclosures.

CAPITAL GAINS TAX

Radical changes encourage longer-term investment

By Clifford German

SWEEPING reforms in Capital Gains Tax were unveiled which will encourage longer-term investment by the owners of businesses, but which will penalise those investing only for the short-term.

Under plans to taper the way the tax bites, the chargeable gain for business assets falls from the full rate for assets held less than two years to a quarter of the full rate for those held for 10 years or more.

Meanwhile, the annual amount of capital gains which can be taken free of tax will go up in line with inflation from £6,500 to £6,800 in the next tax year. But the current system of indexation has been frozen from 5 April.

The rate payable on non-business assets (such as shares, property and collectables) will be reduced progressively from the individual's marginal income tax rate (40 per cent top rate, a basic rate of 23 per cent) on all taxable gains. In practice it means that top rate taxpayers will pay 40 per cent and basic rate taxpayers 23 per cent on assets held for less than two complete years from 5 April, then reducing at 2 per cent a year for top rate taxpayers to a final rate of 24 per cent after 10 years. The rate for basic rate taxpayers will reduce to 21.85 per cent in the first two complete years, then by 1.15 per cent a year to a minimum rate of 13.8 per cent on taxable gains realised after 10 years.

The complex system of indexing gains in line with the rate of inflation over the period the assets were owned has however been frozen from the end of the current tax year, which means it will cease to protect all assets bought and sold after 5 April. It will remain in place for assets acquired before that date, but only up to that point, so that the protection will be progressively diluted over the next few years.

For new assets the point where the taper will compensate for the loss of indexation will depend on asset growth and inflation. For example, with real asset growth of 6 per cent and inflation of 2.5 per cent a similar liability will arise if non-business assets have been held for seven years.

The rate of capital gains tax on business assets will be allowed to taper down from 40 per cent to 10 per cent over 10 years, from 23 to 5.75 per cent for basic rate taxpayers

The new system is seen as fairer but not necessarily simpler. David Holland, managing director of independent financial advisers RK Harrison, said: "The abolition of indexation on gains from 1998 will progressively reduce the protection against inflation even on assets that have been held for some years, and the tapering period over 10 years is both longer and the tapered reductions end at a higher rate than many people hoped."

The reduced rates of tax on longer-term gains could benefit higher rate taxpayers but basic and lower rate income tax payers with large capital gains could be worse off, according to Mike Abraham, director of Shepherd (Endowments), a provider of tailor-made investment packages.

All advisers were quick to welcome the doubling of the tax-exempt gains available to trustees of the assets of disabled people, which were limited to half the standard annual allowance in the past but will in future be brought into line with ordinary assets.

The Chancellor has also abolished the long-standing practice of bed and breakfast deals, which allowed investors to sell assets and immediately buy them back to establish a higher purchase price for future disposals. With effect from 6pm last night investors will have to wait 30 days after selling assets before they can be bought back to establish a new base for future gains.

INHERITANCE TAX

Brown leaves an extra £8,000 to the wealthy

THE Chancellor's decision to leave inheritance tax largely unchanged sent a wave of relief through the ranks of wealthy investors, **writes Clifford German.**

Gordon Brown did even more than they might have hoped and increased the tax-free allowance in line with inflation from £215,000 in the current year to £223,000 in 1998-99.

Inheritance tax is currently charged at 40 per cent. It had been widely forecast that he would reduce the tax-free allowance and abolish "potentially exempt transfers" which made assets given away more than three years before the owner dies subject to a reduced rate and assets disposed of more than seven years before death to escape tax altogether.

Lifetime gifts of up to £3,000 a year will remain outside the scope of IHT, and transfers of assets between husbands and wives are also unaffected. Spouses will still be able to transfer unlimited assets to each other in life. The first spouse to die can bequeath all assets to the surviving spouse without incurring a tax liability, although the first spouse's tax-free allowance is wasted if they do so.

The starting point for inheritance tax has risen three times faster than the rate of inflation over the past 10 years and the previous government had hinted that it would be abolished. Only 17,500 estates are expected to pay IHT in 1998-99, an increase of about 1,000 on last year and less than 3 per cent of all death estates, according to the Inland Revenue. The yield from the tax is however expected to rise from around £1.6bn in the current year to £1.9bn in the coming year.

The public will also have to be allowed greater access to estates claiming exemption to IHT as heritage assets because they include buildings of outstanding historic or architectural interest or land of scenic, historic or scientific interest.

BUDGET BITE

In 1994 an analysis of President Clinton's tax returns revealed that he generally deducted between $3 and $4 for each set of used underwear he donated to charity.

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HOUSING

Rise in top stamp duty, but Miras safe

By Nic Cicutti and Diane Coyle

BUYERS of more expensive homes face another increase in stamp duty after yesterday's Budget.

Gordon Brown, the Chancellor of the Exchequer, moved to raise further the level of duty imposed on properties above £250,000. The new rate, already raised in July last year, will now be 2 per cent for properties costing more than £250,000 and 3 per cent for those above £500,000.

But there was widespread relief among mortgage lenders and housing experts that mortgage interest tax relief (Miras) on home loans would not be cut beyond the 10 per cent limit that comes into effect in April.

Mr Brown's decision on Miras came amid widespread expectations among lenders that he would lower the planned 10 per cent tax break – which presently stands at 15 per cent – for the first £30,000 of a mortgage, worth about £20 a month, as a prelude to abolishing it altogether.

Ciaran Barr, chief United Kingdom economist at Deutsche Morgan Grenfell, said: "The combination of both measures, including stamp duty, will be a very mild disincentive to the housing market. But it's interesting that he stopped short in this area.

"Maybe, after a series of revenue-raising measures in other areas ... the Chancellor felt that he did not want to be seen as penalising the middle classes further. If so, he has missed an opportunity, because this had been a widely predicted move."

Mr Barr added that he did not believe the decision to stay the axe from the present Miras level would have much of an impact, either way, on the housing market, which Deutsche Morgan Grenfell expects to rise by about 8 per cent this year.

A spokeswoman for Halifax, which has 2.5 million mortgage borrowers, said the bank welcomed the decision on Miras: "We did not expect Mr Brown to move on Miras this year anyway, although for how long this situation remains is another matter. Generally, we welcome any initiative that helps homeowners as this one does."

David Charlton, a manager at Skipton Building Society, said: "There is no question that borrowers will welcome Gordon Brown's kid-glove treatment of the housing market. Our view remains that Miras has become almost an irrelevance over recent years and its abolition could have led to better-targeted help for the more needy."

The decision on stamp duty increases the rate paid from 1.5 to 2 per cent on the full cost of a purchase if it is above £250,000. Duty will be raised from 2 to 3 per cent on property purchases over £500,000.

The higher rates will apply to property transfers taking place on or after 24 March, except for purchases made in respect of contracts exchanged on or before yesterday's Budget announcement.

The measure, which will hit up to 30,000 commercial and 20,000 residential properties a year, is expected to raise £390m in the 1988-99 tax year, rising to £520m in 2000/2001. Some 25 per cent of this extra tax take will fall on residential property transactions.

By contrast, leaving Miras at present levels will continue to cost the Exchequer some £3bn a year, despite the Chancellor seeing reform of housing finance as a necessary precondition for Britain joining the single European currency.

The eventual abolition of Miras has been on the cards for 20 years, since it fell victim to a series of gradual restrictions in the past two decades.

The value of Miras, has been cut back, first to the basic rate of income tax, then 20 per cent and since 1995 to 15 per cent and, in the coming tax year, 10 per cent. Its as a percentage of mortgage interest payments has now shrunk to below 5 per cent, down steadily from a peak of 38 per cent in 1976.

THE LONE PARENT

Jackie Rawson, 27, from Leeds. Two children: Toni, 11 and Jade, 5. Miss Rawson earns £15.65 a week as a school lunch supervisor, and gets £69.56 a week in income support. She also receives some other benefits.

Photograph: Steve Forrest

MISS RAWSON would like to work more hours in a better-paid part-time job, but is worried about losing her benefits. She works for an hour a day at a local primary school, for which she is paid £20 a week, but must give £5 back from her benefits.

She said: "It isn't really worth me working at all at the moment but I do it because it is important to me to work. I would really like to do more hours, but they would just take away what I earned."

The introduction of the working families tax credit would seem not apply to Miss Rawson, as it affects "families where one person works full time". So it looks like Miss Rawson will not benefit from Chancellor's stated intention that: "The more you earn, the more you take home ... If you work, work will pay."

If she did increase her hours to about 16 she would begin to earn enough to make it worthwhile. She would be cautious about embarking on this course of action as she currently has her £30 a week rent paid for her and does not have to pay council tax.

The changes in child benefit mean Miss Rawson is £5.60 better off. As well as the 60p increase in line with inflation, she gets an extra £2.50 for the oldest child and another £2.50 for having a child under 11 on income support. Miss Rawson was unhappy child benefit will still not be means tested. She said: "I don't think it is fair. People that have lots of money don't appreciate an extra £10 a week, they don't really need it, but to me it's a lot of money. They earn enough, they have got enough money in the bank, they should let the Government use it for someone else."

She spends much of her weekly budget on bus fares. She welcomed the Chancellor's pledge of £250 for public transport and a commitment to lowering bus fares. She said: "I spend a fortune on buses, so it will mean a lot to me if they bring the price down."

Rosa Prince

CHARITIES

Tax relief to help the world's poor

By Kathy Marks

TAX BREAKS are to be introduced to encourage businesses and individuals to make charitable donations to education and anti-poverty projects in the poorest developing countries.

Under a new scheme called Millennium Gift Aid, the minimum sum on which income tax relief can be claimed will be lowered to £100 for individuals who donate to specific causes. The threshold for charitable donations is usually £250.

People who donate by instalments that total at least £100 will also be eligible for tax relief, the Chancellor announced. Businesses which donate goods such as second-hand computer equipment to education projects abroad will qualify for extra tax relief.

The scheme, which will be launched later this year and will operate until the end of 2000, is intended to be run by existing charities. They will be invited to register with the Inland Revenue, and to allocate funds raised under these proposals to new and existing projects.

The countries that will benefit are those that are designated "low income" by the World Bank, mainly in parts of Africa and Asia, but also in Europe and Latin America. They include Afghanistan, Rwanda, Albania, Bosnia, Honduras, Haiti, Pakistan and Sri Lanka.

The new measures form part of a wider-ranging review of all aspects of the taxation of charities. The Government intends to issue a consultation document on the subject in the coming weeks.

The scheme drew a qualified welcome from charitable organisations. Neil Jones, director of communications for the Charities Aid Foundation, said he would like to see it extended to other areas of charitable activity such as the environment and care for the elderly.

Andrew Sims of Christian Aid said: "It means that people who can make small but regular contributions now qualify, and this will benefit organisations like ourselves much more."

The cost to the Treasury of the scheme is estimated at £15m in 1998-99, and a further £45m over the following two tax years.

BUDGET BITE

While the ostrich is zero-rated for VAT as a foodstuff, its feathers still attract the 17.5 per cent rate.

Excise and green tax p8

EXCISE DUTIES

20p more to light up but spirits tax frozen

By Andrew Yates

The price of a packet of 20 cigarettes will pass £3.50 for the first time after the Government kept its pledge to increase tobacco duty at 5 per cent above the rate of inflation. The hike in excise duty from 1 December is equivalent to 21p on a packet of cigarettes. Smokers face a 9p rise in the price of a pack of five small cigars and a 12p increase in a 25g pouch of pipe tobacco.

The Government stunned the beer industry by announcing a 1p-per-pint rise in excise duty from 1 January. The move to increase duty in line with inflation comes despite pleas by brewing and pub groups to slash duties to curb the explosion of illegal imports from the Continent. The Government is planning a crackdown on smuggling – which is estimated to cost the Treasury more than £1bn a year in lost tax revenue – rather than introducing a cut in duty. But the Chancellor did not give any firm details on how he plans to stop smugglers importing billions of pounds worth of contraband into the UK from the Continent where lower excise duty means beer and cigarettes are much cheaper.

The price of a litre of cider will rise 1p, as will alcopops, while fortified wine will go up by 5p a bottle from 1 January. Duty on wine will also rise by 4p a bottle on the same date, but there was better news for the Scotch whisky industry, with duty on spirits frozen.

The tobacco industry was resigned to the prospect of a sharp rise in duty after the Chancellor announced plans to do this in the last Budget and increased the price of packet of 20 cigarettes by 19p last December. But the industry breathed a sigh of relief when it was announced that the increase would not be introduced until the end of the year.

The anti-smoking lobby group Ash said the Government's decision to increase duty would save more than 2,000 lives and reduce cigarette consumption by around 2 billion a year. "The Chancellor has shown the Government's colours on smoking by giving people serious financial reasons to quit. This is the biggest increase ever and it must be obvious by now that smoking is a mug's game," said Clive Bates, Director of Ash.

Tobacco groups welcomed the initiative to crack down on bootleggers but denounced the rise in duty, claiming it would fuel illegal imports.

A spokesman for the Tobacco Manufacturers Association claimed the move could increase consumption of cigarettes among the young who buy cheap packets from undiscriminating suppliers. "We estimate that more than a million smokers are already buying black-market cigarettes and tobacco," said David Swan, the association's chief executive.

Gallaher, the UK's biggest tobacco group which sells Benson & Hedges and Silk Cut, said: "Once again smokers have been singled out for harsh treatment. This is the green light for bootleggers."

The drinks industry reacted with horror to the rise in duty on beer and wine. Dr Barry Sutton, chairman of the Wines and Spirits Association said: "We are calling this the Chancellor's crime-boosting budget. Increasing tax on wine will further encourage organised crime without any real benefit for UK taxpayer."

John McGrath, chief executive of Diageo, the world's largest drinks group said: "We are pleased that the Chancellor has at least recognised the need to reduce the level of tax discrimination against spirits with the duty freeze. However, the Budget increase on beer is a detrimental one for the beer and pub sector and will only serve to increase cross-border smuggling."

The Brewers and Licensed Retailers Association also condemned the move. "This is bad news for thousands of pubs and good news for the beer-smuggler. A rise in beer duty will cost jobs, close businesses reduce consumer choice and sends a clear signal to criminals that crime really pay."

Camra, the beer consumers lobby group, believes that the rise in duty will mean a 2p rise in prices over the bar when brewers' profits margins are taken into account. "French brewers and Calais beer warehouses will be celebrating in style this evening while British publicans and beer lovers pick up the tab. This offers no support for the British beer drinkers or 900,000 jobs supported by brewing industry," said a spokesman.

However, the news of an increase in beer duty pleased Alcohol Concern. "On health grounds any cut in duty would be damaging," said a spokesman.

"And before brewers and pubs expect the Chancellor to begin to bail them out, we think they should take lead and trim their own margins. The bulk of disparity in prices between the UK and France does not come from excise duties."

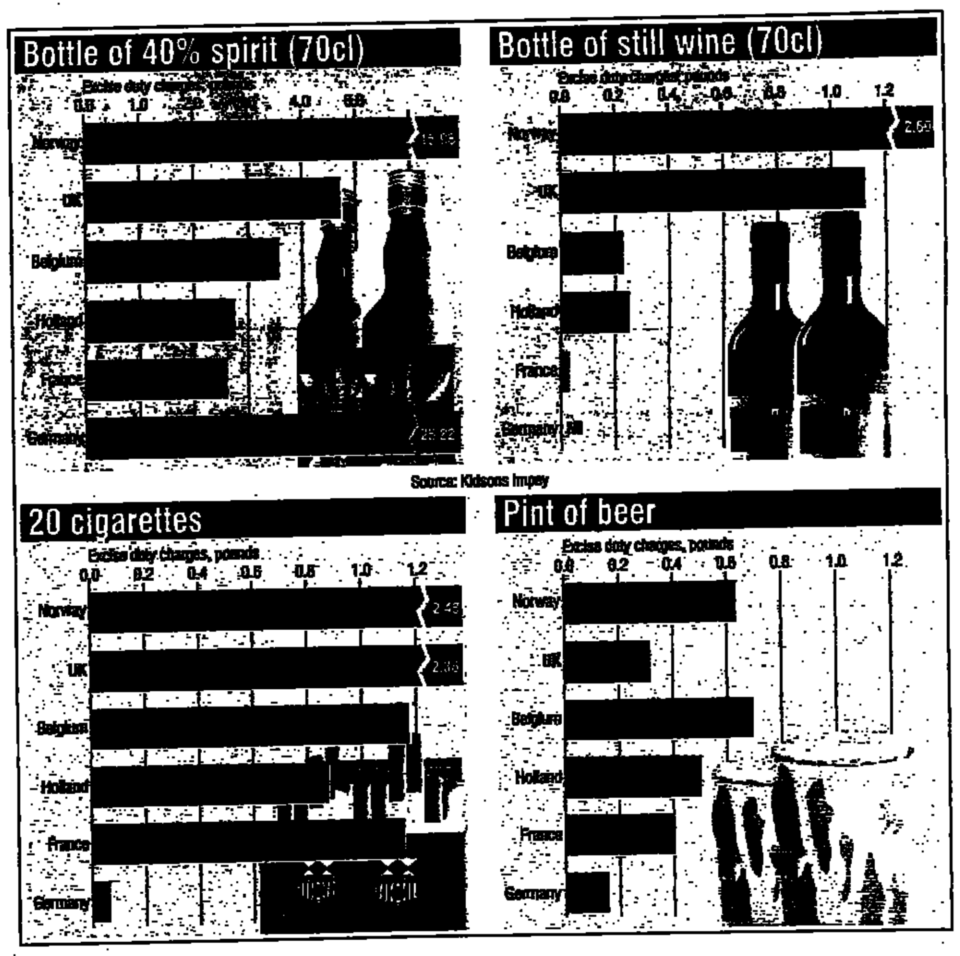
The Scotch Whisky Association urged the Chancellor to continue the process of reducing discrimination against spirits in future Budgets. "The Government has recognised that the higher taxes levied on spirits than on other alcoholic drinks does not pass its own test of fairness. We are delighted the Chancellor has taken steps to tackle this discrimination," said Hugh Morison, the association's director-general.

The Government's initiative to curb bootlegging is a response to the massive expansion in illegal imports over the last few years.

Official figures suggest that tobacco smuggling is costing the Treasury £690m a year, but the Tobacco Manufacturers Association claim the true figures is as high as £2bn. Drinks smuggling is also costing the economy more than £500m a year according to the Wine and Spirits Association.

The smuggling situation has got so bad that the beer industry believes that believe that one in three pints in Kent and one in five pints around the country are being imported from France. Camra estimates that 13 per cent of the French beer industry now serves UK customers and 1.4 million pints are imported every day, equivalent to the weekly sales of 2,000 pubs. If the Government crackdown fails to work, experts believe that one in every five pints consumed in Britain could have been bought in France by the year 2006.

Lager frenzy: the drinks industry says the increase in duty will encourage people to smuggle beer and wine from the Continent Photograph: Mark



Source: Kidsons Impey

GAMBLING

Casinos and fruit machines forced to pay up

By Andrew Yates

THE Chancellor shocked the gambling industry yesterday by introducing tax increases designed to raise an extra £45m a year.

The changes are a bitter blow to Britain's casino owners who will have to pay more tax on the billions of pounds that are staked by their customers every year.

In a surprise move, the Government plans to increase the top rate of gaming duty, which is paid by casinos on the gross profit they get from gambling, from 33 to 40 per cent. This will take effect from April.

The casino industry currently makes a gross profit of more than £450m a year from gambling and pays in excess of £80m in gaming duty.

The Government's move is forecast to increase the tax burden for the 116 casinos around the country by £20m in the first year, rising to £25m the year after.

The country's largest casinos, including London's 21 casinos which currently pay 80 per cent of the gaming duty handed to the Government, will suffer most from the tax hike.

"One-arm bandit" machines are also to become more expensive to operate, leaving amusement arcades facing the prospect of a much higher tax bill. The cost of a 12-month licence for amusement machines that offer prizes of up to £8 will increase from £535 to £645.

The price of a 12-month licence for slot machines offering a larger jackpot will also be increased from £1375 to £1815.

The rise will come into effect immediately and raise £20m a year by 1999/2000. However, pinball tables, video games and quiz machines will not be affected by the new tax rules.

The Government's hike in gambling duty follows moves to deregulate the industry including recent measures to increasing the maximum payout for a jackpot machine to £250 and a new type of slot machine paying out up to £10 which has been permitted in bingo halls and betting shops.

These initiatives have led to a sharp rise in profits across the sector. However, the Government announced no new moves to deregulate the industry further.


Rich peckings: Tax on a tonne of garbage dumped at landfill sites will jump from £7 to £10 Photograph: Brian Harris

GREEN TAXES

New move to curb amount of waste going to landfill sites

By Nicholas Schoon
Environment Correspondent

The price of garbage dumping is to rise drastically - part of a range of eco-tax measures introduced by the Chancellor yesterday.

His most radical green proposal was a special energy tax for industry which could raise billions while cutting climate-changing greenhouse-gas emissions. It is, however, only a gleam in Gordon Brown's eye.

Yesterday's speech continued the pattern set by his Tory predecessor, Ken Clarke - slow, cautious progress in introducing eco-taxes which left environmental groups deeply disappointed after the pre-budget hype.

They were none the less delighted with his decision to cut the price of a tax disc on smaller, cleaner cars by £50, a move which headed a package of green transport tax changes.

From April next year the tax on each tonne of garbage dumped at landfill sites jumps from £7 to £10 - the first increase since this tax was introduced nearly three years ago. Since it now costs, on average, about £20 a tonne to landfill rubbish - including the tax - this represents a hefty 15-per-cent increase in dumping costs.

The Environmental Services Association, representing the majority of Britain's waste companies, said the increase would be passed on to its customers; the firms and hundreds of councils which collect and dispose of household rubbish. Inevitably this will create pressure for council-tax rises.

The Treasury argues that the tax hike will encourage companies to recycle more wastes, or find ways of producing less. But the association said there had already been a noticeable increase in fly-tipping - illegal, roadside waste dumping - since the tax came in. This was bound to get worse unless there was stronger enforcement by the Government's underfunded Environment Agency.

The tax on "inert" wastes, which do not rot and produce methane gas - such as construction rubble - remains at the lower level of £2 a tonne. The money raised by the tax - which will increase to £500m a year - is used to fund a small cut in employer's National Insurance Contributions and a variety of local environmental improvement schemes. Mr Brown also announced the creation of a task force, headed by British Airways chairman Sir Colin Marshall, to examine use of "economic instruments" such as taxes and subsidies in cutting energy wastage by businesses.

In burning gas, oil and coal, industry and commerce makes a huge contribution to Britain's annual emissions of climate-changing carbon dioxide - emissions which Labour's manifesto promised to cut by 20 per cent by 2010. Sir Colin, a former president of the CBI, will head a task force of civil servants and business people. His appointment was attacked by Friends of the Earth director Charles Secrett, who said: "It's like putting King Herod in charge of child care."

The aviation industry, of which Sir Colin is one of the world's leading lights, is a huge and fast-growing source of climate-changing greenhouse gases. It is not covered by the Kyoto Climate Treaty negotiated last year and it has strongly - and successfully - resisted calls for an international green tax on currently completely untaxed aviation fuel.

Environmentalists were also disappointed by the Budget's limited cut in VAT on energy-saving goods. This will only apply to low-income households being offered home-insulation packages under government-funded schemes - about 40,000 a year.

For the great majority of the population, VAT on low-energy light-bulbs, cavity-wall and loft insulation and other energy-saving, polluting-cutting products remains at 17.5 per cent - while VAT on gas and electricity is just 5 per cent.

BUDGET BITE

On the subject of a tobacco tax, Napoleon III said: "This vice brings in 100 million francs a year. I will certainly forbid it at once – as soon as you can name a virtue that brings in as much revenue."

صكنا من الاجل

TRANSPORT

Petrol duty puts the brake on gas guzzlers

By Randeep Ramesh
Transport Correspondent

Paying the price: Senior executives with large company cars, will see the cost of motoring rise by £150 a year
Photograph: Philip Meech

MOTORISTS felt the cold slap of government policy yesterday as the Chancellor introduced taxes which saw the price of a gallon of petrol breach the £3 barrier while delivering a £500m boost for public transport.

Experts say that the Budget will cost the average motorist £58.81 a year in additional taxes – a figure which rises to £108.81 a year if the penal measures introduced in last year's mini-Budget are included.

But those motorists who drive the "cleanest and smallest" cars will see the cost of their tax disc drop by one-third to £100. At present motorists pay £150 a year for all cars – whether a Mini or a Rolls-Royce.

A graduated scheme would bring the United Kingdom in line with countries in Europe such as Italy and Germany. Although the final system is likely to be announced after a government review, ministers are known to have expressed an interest in the French system.

Across the Channel, the excise tax for motorists who drive a 1,200cc car is one-third of a price of a 2,000cc model.

What will annoy drivers most is the 6 per cent above-inflation rise in the cost of petrol. This will add 5.2p to every litre of unleaded petrol purchased. According to motoring organisations, this will see the average national price of a gallon of petrol increase to £3.02.

David Worskett, the Royal Automobile Club's director of public affairs, said: "This is a Budget that could put motoring beyond the budget of many poorer drivers – such as women driving second cars and the disabled. For these people having a car is a necessity, yet petrol is taxed like a luxury."

Industry also faces a bill of more than £500m thanks to the Government's diesel price hike.

Gordon Brown tried to distance the Government from being described as "anti-car" by complaining that oil prices world-wide had dropped by 25 per cent but oil companies had yet to pass on the savings to the consumer.

Company cars will also be penalised. The Chancellor intends to discourage "free fuel" to staff with a company car by increasing the tax paid on the petrol used. The executive with a two-litre company Mercedes will find the cost of motoring rise by nearly £150 a year.

A Treasury statement said ministers want to "discourage employers from providing and employees from accepting free fuel so that more company car drivers face the full cost of the fuel they use for private motoring."

Taxing the company car is a lucrative business. Mr Brown estimates that by 2001 the changes will yield the public purse more than £500m.

Politicians have a good deal to worry about when tackling car use. The owners of the 24 million cars on Britain's roads contribute more than £19bn in taxes – yet only £6bn is spent on transport. A recent survey for the Automobile Association showed that 55 per cent of drivers "will vote against politicians who try to price them off the road".

Sensitive to accusations that the fuel increases hit people living in the country hard, Mr Brown also announced a "£50m a year rural transport fund". The Chancellor claimed that "three-quarters of rural parishes and communities have no bus services".

A Treasury press release stated that most of the new money would be used to provide "up to 160 million additional bus kilometres nation-wide". The Chancellor also said that ministers aim "to extend the range of transport services throughout the country".

In order to meet this objective, he committed the Treasury to an extra £500m over three years for public transport. However, experts say most of the extra cash will be eaten up by the crumbling Tube in London.

Motoring organisations and environmentalists were united in condemning the amount of extra money set aside for public transport. "It is not enough," said Roger Higman of Friends of the Earth. The RAC described the three-year cash boost of £500m as "a drop in the ocean".

Green campaigners said many of proposals for discouraging car use were simply "too small to make a difference". Measures such as providing tax relief on converting company cars to greener fuels were, according to FoE, "tinkering at the edges".

However, Mr Higman welcomed the apparent "use of higher fuel duties to fund public transport".

The AA also questioned the effect of raising the cost of motoring. The driving lobby says that in 1974, 50 per cent of car costs went to the Treasury. Now 80 per cent of the cost of motoring is funnelled to the Treasury.

This is unlikely to influence ministers. They argue that since the Seventies the cost of owning and using a car has dropped relative to the growth of disposable income while rail fares, for example, have raced ahead.

VAT

Moves to protect £1.5bn from artificial avoidance schemes

By Roger Trapp

CUSTOMS & Excise has announced a package of changes that it claims will protect more than £1.5bn of VAT revenue a year from "artificial avoidance schemes".

Customs has identified three particular sorts of scheme for an initial attack, although tax experts doubt that the moves outlined with have such a significant effect since they are "quite low-key and small-scale".

The first is the misuse by commercial sports clubs of the exemption for non-profit making organisations to avoid charging VAT to users of their facilities. This situation – which is created by a club transforming itself into a non-profit making organisation through taking out excessive costs – has been around for some time as a result of vaguely worded legislation.

The second arises from traders in secondhand goods, such as cars, exploiting the interaction between the relief available for the transfer of a going concern (that is, the car) and other reliefs in order to reduce VAT exposure.

The third concerns United Kingdom non-business organisations, such as National Health Service hospitals and universities, taking advantage of the relief available when businesses outside the European Union let goods on hire to UK customers who are not businesses. This is deemed to have been an abuse since it was envisaged that the non-businesses were individual customers rather than organisations that are not businesses by reason of a technicality. In outlawing such schemes, Customs is following the lead of the NHS Executive, which has already cracked down on hospitals avoiding tax in this way.

Meanwhile, banks and other financial institutions that enjoy partial exemption from VAT face having to reorganise themselves if a consultation exercise on grouping of companies announced as part of a further crackdown on tax avoidance leads to legislation.

At present, such organisations are allowed to "group" controlled companies resident in the UK in order to prevent the manufacture of VAT on inter-company charges on the grounds that their partially exempt status would enable them to recover only part of the amount paid.

But if the consultation process is followed by fresh measures designed to improve the yield from the indirect tax, banks will have to reorganise themselves, said Peter Jenkins, a partner with accountants Ernst & Young.

Customs has also announced that it will be consulting business on general anti-avoidance rules covering defined areas of VAT in parallel with the Inland Revenue's consultation of similar measures for direct taxes. It plans to publish illustrative clauses in the summer.

The fact that the Government is looking at specific areas of VAT indicates that Customs has concluded that it cannot consider a wide-ranging general anti-avoidance rule like that contemplated by the Inland Revenue, say tax experts. Mr Jenkins pointed out that the issue was made difficult "because VAT is governed by European rules".

Oil price slump forces rethink on tax system

THE Government last night stepped back from imposing an immediate toughening up of the North Sea tax regime in the face of plummeting oil prices, writes Terry Macalister.

But Chancellor Gordon Brown said a consultative document would be published mid-April with the aim of legislation in the next Finance Bill, he said.

Some oil industry officials privately expressed concern that a new period of uncertainty had opened up. But John Brown, chief executive of BP, described the Government's decision as "very sensible". The Government also announced relief for BP by reducing the levy it pays on North Sea gas sales by 25 per cent, from four to three pence a therm for the 1997/1998 year. The levy will end completely on 1 April.

Travelling at a premium

INSURANCE Premium Tax is to be levied at 17.5 per cent on all travel insurance, not just policies bought through travel agents or operators, as at present. The extra revenue raised will be £5m next year and £15m in 1999-2000.

VAT threshold raised

THE VAT registration threshold is being raised to £50,000 from 1 April. The Government also intends to consult on VAT thresholds and their impact on competition between registered and unregistered firms.

BUDGET BITE

In 1995, drivers in the city of Shkodra, northern Albania, refused to pay a 2000 lek (£15) traffic light tax on the grounds that there were no traffic lights in Shkodra.

Brown's speech pp10,11

THE INDEPENDENT
WEDNESDAY 18 MARCH 1998

Now our ambitions can

These are the edited highlights of the Chancellor's speech yesterday

ILLUSTRATIONS BY STEVEN O'BRIEN

ONLY ONCE in a generation is the tax system fundamentally reformed. The Budget I bring before the House and country today begins the task of modernising not just taxation but the entire tax and benefits system of our country. We do this to encourage enterprise; to reward work; to support families; to advance the ambitions not just of the few but of the many.

For decades, the great economic strengths of our country have been undermined by deep-seated structural weaknesses – instability, under-investment and unemployment. So behind the detailed measures of this Budget is the conviction that we must break for good from the conflicts and dogmas that have held us back and have for too long failed our country. We must build a national economic purpose around new ambitions for Britain.

First, stability. We must break from our history of stop-go and the false trade-offs between inflation and unemployment. The new ambition is long-term economic strength and stability based on an unshakeable commitment to prudent monetary and fiscal rules.

Second, enterprise. Instead of punishing success by high taxation or offering the incentive of low taxation to only a few, the new ambition is a tax system that makes all work pay, that encourages skills and rewards enterprise and entrepreneurship throughout the economy.

Third, welfare reform. The new ambition is a modern welfare state that, instead of trapping people in poverty, provides opportunity for all.

And fourth, strong public services. Instead of simply defending unreformed public services, or denigrating them simply for being public, the new ambition is to have modern schools and hospitals where investment and reform go hand in hand.

So this will be a Budget that demonstrates that a modern government with new ambition for Britain can advance both enterprise and fairness and can advance them together. And that, by rewarding work and rewarding work at every level, everyone and not just one section of society benefits: a Budget that advances the ambition of all.

By spring last year, with consumer demand already rising by 5 per cent and the money supply by 11 per cent but industrial production up only 1.5 per cent, the economy was exhibiting the same symptoms of instability from policy errors that produced the boom-bust economy of the late Eighties. To avoid a lurch backwards towards the kind of boom-bust instability that brought interest rates as high as 15 per cent in the late 80s, the Government, and then the Bank of England, took action to ensure stability. And I followed this tightening of monetary policy by putting in place a tough five-year deficit reduction plan.

Last November, I was able to report that I was more optimistic that the economy was on course to get back on track for sustainable growth. That remains my view. But I also warned that there were risks ahead – on the one hand the effects on the world economy of turbulence in Asian financial markets, and on the other, the domestic risk that an unaffordable rise in wage inflation would lead to higher interest rates and slower growth. These risks remain ...

Similar vigilance is also required at home in the face of inflationary pressures. In the last few months, wage settlements have risen, even in the manufacturing sector where I fully recognise that a strong pound makes life difficult for exporters. Our aim is a stable and competitive pound in the medium term and I know that exporters agree with me that we must avoid any return to stop-go. It would not be right to sacrifice long-term goals in the face of short-term pressures.

No one should be in any doubt about this Government's, and the Bank of England's, determination to meet our inflation target. And I can now report that because of the action already taken, inflation, which when we came to power was heading well above our target and towards 4 per cent, is now forecast to peak at 3 per cent this year and be at our target of 2.5 per cent next year. And it is because we have established a sound long-term framework and the expectation of low inflation that long-term interest rates have come down substantially from over 7.5 per cent just before the election to below 6 per cent, the lowest rate for 33 years.

Growth this year and next will depend crucially on what happens to wage inflation over the coming year. It would be the worst of short-termism to pay ourselves more today at the cost of higher interest rates, fewer jobs and slower growth tomorrow. All of us must therefore *show greater responsibility.*

If our Welfare to Work reforms can be complemented by responsibility across the economy, we could achieve 2.5 per cent growth this year. But if wage bargaining proceeds in the same short-termist way as in the past, then growth this year could slow to 2 per cent. Similarly growth could be between 1.75 per cent and 2.25 per cent next year and, as the economy returns to its sustainable path, growth could be between 2.25 per cent and 2.75 per cent in 2000.

Stability also requires a commitment to prudence in fiscal policy. The Chancellor is above all the guardian of the people's money. Last year, spending exceeded revenues by £23bn, and when we came into power we inherited not only a cyclical deficit but also a substantial structural deficit in excess of 2 per cent of national income. Immediate action was required to secure long-term deficit reduction.

Borrowing

The five-year deficit reduction plan I put in place last July is not only on track but is being achieved more quickly than expected. A substantial fiscal tightening has been achieved this year, with borrowing coming down by more than £17bn, over 2 per cent of national income. It is because at this stage of the cycle it is important to err on the side of caution that my Budget will lock in this fiscal tightening for 1998-99.

So even if we exclude the windfall tax, borrowing – which the last Government had planned at £19bn for this year is now expected to be £5bn, a fall from 3 per cent of national income last year to around 0.5 per cent this year, comfortably within the Maastricht criteria.

On the same basis, borrowing is expected to fall to just under £4bn in 1998-99. By 2000, the Budget is forecast to be in balance. But our fiscal objectives are more long term – *to meet the golden rule, that over the* cycle government revenues will cover consumption – and to keep debt at a prudent and stable level.

Previous governments have made the mistake, most recently in the late Eighties, of claiming that they had solved our deficit problem when all they had was a short-term surplus. *Surpluses in 1988 and 1989 collapsed* into a deficit approaching £50bn in just four years, the biggest deficit in our history. What was claimed to be the end of one crisis turned out to be only the beginning of the next ...

So this, more than ever, is the wrong time to be complacent or in any way to compromise our commitment to long-term fiscal stability. Just as we locked in our *commitment to sound money* through the Bank of England, it is *now time to lock in a framework* which guarantees sound finances.

Our code of fiscal stability will place a duty on this government, and every future government, to report to Parliament on a consistent basis and provide full explanatory information on how it is meeting the fiscal rules it has set. Stability and prudence are merely the preconditions for success, the platform from which success can be built. It is time now to show similar ambition and determination in the pursuit of long term increases in productivity.

For years as a nation our capacity to consume has not been matched by our capacity to produce. And it is because we have had insufficient capacity to sustain anything other than low rates of growth that our upturns have been too short and too fragile, our downturns too deep and too destructive. But with a platform of stability in place and with lower long-term interest rates, I believe we are now in a position to establish, for the first time for decades, a virtuous circle of low inflation, high investment and a higher level of sustainable growth ...

First then, our proposals to help businesses invest and grow.

To encourage long-term investment, today we will put in place the company taxation reform we started last year, by abolishing one tax in its entirety. From April next year, companies will no longer have to pay advance corporation tax. A new *instalments system of payment for larger* companies' corporation tax will be introduced.

In the last Budget we reduced the main rate of corporation tax by 2p to 31p. In this Budget we reduce it further by another 1p to 30p from April 1999. This is the lowest main rate of corporation tax of any major industrialised country. The lowest in the history of corporation tax in Britain. When it is finally in place companies will pay over £1.5bn less in corporation taxes each year ...

Businesses need to plan for the long term so today I make a commitment that for the rest of this parliament corporation tax will be at 30p or less.

Stability is important, not least in our North Sea oil industry where planning horizons are long. Next *month, we will publish a consultative* document on the future of the North *Sea fiscal* regime.

In the new economy, however, jobs will come not simply from having a small number of large businesses but a large number of small and growing businesses.

Today we will make five major changes that will help small business:

- We will cut tax;
- We will cut the costs of investing;
- We will cut the burden of red tape;
- We will promote research and innovation;
- We will increase the rewards for doing well.

First, following the consultation on our corporate tax proposals, I will exempt medium, as well as small-sized companies from paying corporation tax by instalments.

Taken together with the abolition of advance corporation tax, this will improve the cash flow for small and medium-sized companies paying dividends by about £1bn. But I want to do more: 85 per cent of taxpaying companies in our country – 350,000 companies – are covered by the small companies' rate of tax.

In the last Budget, I cut the small companies' tax rate from 23p to 21p. I have now decided to go further. From April next year small companies' tax will be cut again to 20p. And we will also keep the rate at this level or below not just for a year, but for the Parliament. We are not only *cutting the tax rate but also cutting* the cost of investing. For 12 months from July, first-year capital allowances for small and medium sized companies will be set at 40 per cent, continuing our commitment to boosting investment ...

For too long the great scientific advances of British universities have gone on to become *the manufacturing successes of rival countries.* So *to help turn British inventions into* success for British businesses, I am announcing today plans for a new £50m venture capital fund open to all universities. A new university challenge fund that will invest today in the innovative businesses that will create wealth and jobs tomorrow ...

Our venture capital industry is proportionally much smaller than that in America. But by merging the enterprise investment scheme and capital gains tax reinvestment relief, and by closing loopholes, I am now able to provide more generous, more efficient and better targeted *help to encourage venture capital in* Britain. I propose a 50 per cent rise *in tax reliefs. From now on investors* will be able to secure income tax reliefs *for investment up to £150,000* a year.

But we must also do more to increase the quantity and quality of long-term investment. The capital gains tax regime we inherited rewards the short term speculator as much as the committed long-term investor. So it is time also for a fundamental reform of capital gains tax.

In a low-inflation environment, a complex system of indexation is no longer necessary. Indexation will *continue until April 1998 and will* then be frozen. The annual exempt amount will rise in line with prices. And, following extensive consultation, I have decided to phase out complex allowances and instead will introduce a new structure of capital gains tax which will explicitly reward long-term investment and is based *on a downward taper and lower tax* rates.

The short term rate of capital gains tax will remain at 40p. For investors holding non-business assets, who invest for 10 years, the rate of capital gains tax will fall from 40p to 24p. For those who build businesses or stake their own hard earned money in them, the long-term rate will be reduced even more from 40p to 10p, the lowest rate ever achieved.

So, with a 30p main rate of corporation tax, a 20p rate for small companies, a 10p long-term rate for capital gains tax, this Government today sends a clear signal of support for enterprise to those who invest in *the UK. My message to business is* – when you are ready to start out, *start up, start* investing or start hiring – this Government is on your side.

Savings

When half the population have only £200 or less in savings, there is broad agreement that we must do more to encourage savings by everyone. There is broad agreement also that an easy-to-access individual savings account, available over the counter in supermarkets and post offices as well as from banks, building societies and financial services providers, can encourage the savings habit among many more people ...

The individual savings account will, as promised, offer complete freedom to move cash in and out and so savers know their cash will always be accessible when they need it. Second, in response to suggestions from prospective providers, the cash holding *for the first year of the new product* will be raised to £3,000. Third, the individual savings account will receive a 10-year guarantee that savings of up to £5,000 a year can be invested with all existing tax reliefs.

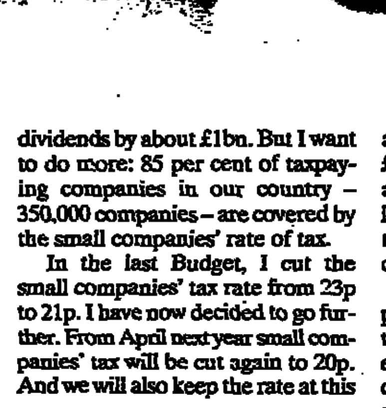
And fourth, *even when new Tessas* and contributions to PEPs cease next year, *the entirety of capital* accumulated in them will be able to continue, with all the accumulated gains, to enjoy tax reliefs. There is, of course, no retrospective element. Whatever accumulated capital there is will remain entirely free of tax, so existing PEP holders will be able to keep their accumulated savings free of capital gains tax and, at the same time, they will be able to save an additional, tax-free £5,000 each year in the new ISA.

Just as the modern tax system should encourage investment, so too the tax and benefit system should reflect the value we place upon the responsibilities and rewards of work.

For far too long too many men and women *in our country* have found themselves working harder and longer, and have still been unable to lift themselves and their families out of poverty into even modest prosperity. And, for too long we have done too little to help those who work hard to advance up the ladder of opportunity from lower income into middle income *jobs,* and upwards. The cap on aspirations must now be lifted.

While Budgets in the Eighties acknowledged the need for incentives, the incentives given to the few ignored the even greater problem of disincentives for the many. So it is time to reward the efforts of those who want to work *their* way up.

First, welfare reform through Welfare to Work. The New Deal is



BUDGET BITE

The only Chancellor to have previously worked for the Inland Revenue was James Callaghan.

هكذا من الاجل

NOW FEMINISTS TURN ON BILL CLINTON
Why the White House is in despair
COMMENT, PAGE 13

THE WOMEN WHO DEAL IN DEATH
The true stories behind Silent Witness
FEATURES, PAGE 10

THE POLICEMAN WHO FLEW TOO HIGH
How zero tolerance fell foul of the law
NEWS, PAGE 6

IS FRENCH FASHION DEAD?
It soon could be, says Tamsin Blanchard
FEATURES, PAGE 9

THE INDEPENDENT

Wednesday 18 March 1998

Aitken arrested as Yard pursues perjury claim

By Kim Sengupta and Kathy Marks

NINE MONTHS after the collapse of his High Court libel action, disgraced former cabinet minister Jonathan Aitken was yesterday arrested by police over allegations of perjury and conspiracy to pervert the course of justice.

The former defence procurement minister and Chief Secretary to the Treasury was questioned at Fulham police station, south-west London. He faces a prison sentence if charged and convicted over the offences. His arrest came as the Scotland Yard investigation into the allegations, launched after Mr Aitken was accused of lying during his case against the *Guardian* and Granada TV, reached its final stages.

In the last 48 hours as well as Mr Aitken, detectives had arrested and questioned his daughter Victoria, aged 17, and his business associate and friend Said Ayas. It is believed officers also want to question Mr Aitken's wife Lolicia and his mother-in-law, Nada Azucki.

In a day of drama Mr Aitken said on his return to his Westminster home in a terse statement: "I can confirm that I, this morning, voluntarily attended an interview with the police in connection with the allegations made against me and my daughter by the editor of the *Guardian*.

"At the end of the interview I was released on unconditional bail. On legal advice that is all I am saying at the present time. I can make no further comment". He refused to answer any questions before disappearing inside.

But a member of Mr Aitken's family told the *Independent*: "Jonathan has tremendous inner strength, and he is bearing up very well under the circumstances. We all realise, of course, that perjury is a very serious allegation, and no one is taking in lightly. This has brought the family together, and we are pulling together. Victoria was not all that upset by what happened, she knew what to expect. This thing will go on and on. But it has to be faced. Things were said at the trial which were said to be untrue, and one has to face the consequences. I do not know where Lolicia is, and frankly I do not want to know."

The police investigation led by Detective Superintendent Geoff Hunt of the Yard's Organised Crimes Group, has been acting in liaison with the Crown Prosecution Service. Officers have collected evidence in France and Switzerland as well as this country.

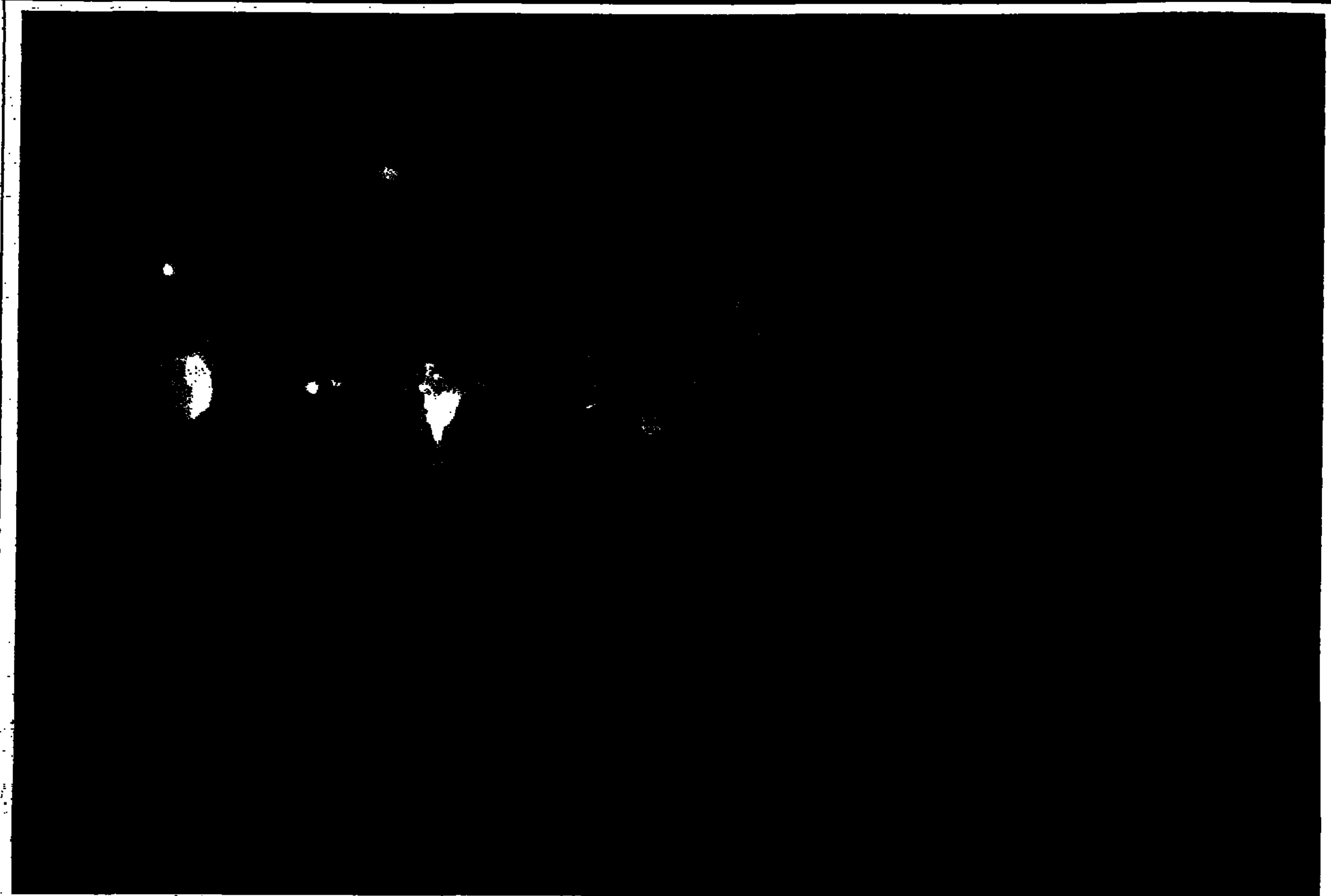
Mr Aitken had begun his defamation proceedings with a speech in which he vowed to "cut out the cancer of bent and twisted journalism with the simple sword of truth and the trusty shield of British fair play". He withdrew after 12 days when the defence produced evidence that contradicted his version of events over a stay at the Ritz hotel in Paris.

The former minister had claimed that he went to Paris to meet his wife and daughter who was about to start school in Geneva. Lolicia and Victoria both signed witness statement supporting this account. However the defendants were able to turn up documentation that showed Mrs Aitken and her daughter had flown straight from London to Geneva. Before the case collapsed Lolicia and Victoria were due to give evidence on behalf of Mr Aitken. On the day the legal action was withdrawn it was also announced that Mr Aitken and his wife were splitting up.

Mr Aitken who is facing a £1.8m legal bill, is in the process of selling his home in Sandwich. He has also been given a consultancy post by the multinational GEC Marconi to help it sell "telecommunications equipment" to the Middle East.

Photograph, page 2

All the world beats a path to Dublin: all Dublin beats a path to Cheltenham



Members of the Catalan theatre group 'Els Comediants' in Dublin for the city's St Patrick's Day celebrations yesterday Photograph: Brian Harris

A SPANISH-INSPIRED parade, a Russian military [illegible] and a troop of American majorettes, all watched by [illegible] audience of Italians, Germans and Japanese, *writes Steve Boggan*. No, it isn't a rehearsal for the opening ceremony of the Olympics. It is Dublin on St Patrick's day, an occasion when true Irishmen are outnumbered by foreigners and when senior Irish figures do their best to get away from the shamrockery.

The Irishmen leading the exodus yesterday – albeit Northern Irishmen – were Sinn Fein leader Gerry Adams, his chief negotiator Martin McGuinness and the Ulster Unionist leader David Trimble, who landed a night out with Bill Clinton as the search for a peace settlement was smoothed along with Guinness at the White House.

Their example was followed by thousands of their countrymen, many of whom make St Patrick's day an excuse to travel abroad. Thousands descended on Cheltenham for the first day of the annual Gold Cup meeting; they saw the Irish-owned Istabraq win the Champion Hurdle. Senior Irish politicians are despatched to Irish communities at the four corners of the earth. This year, the best ambassadorial trip surely went to Dermot Aherne, Minister for Social and Community Affairs, who, during a four-day official visit to France, had to endure two dinners, three receptions, two masses, an evening at the theatre, a Celtic music evening and a ceili at the Irish Embassy in Paris.

Clinton's pledge to work for peace, page 3

Let judges keep Masonic secrets, says Bingham

By Jason Bennetto
Crime Correspondent

THE JUDICIARY should be able to keep their membership of the Freemasons a secret, the country's most senior judge argued yesterday, in a clear snub to government attempts to open up the "brotherhood".

Lord Bingham: secrecy

Lord Bingham, the Lord Chief Justice, told a committee of MPs that there was no reason for judges to declare their membership because there was no evidence to show they had been corrupted by their connections with the secret society.

His comments follow plans announced by Jack Straw, the Home Secretary, last month that all new recruits to the criminal justice system will have to reveal membership of the Masons. Resistance by Lord Irvine, the Lord Chancellor, on behalf of judges in England and Wales, has already forced the Home Secretary to water down his proposals.

Lord Bingham told the Commons home affairs select committee yesterday: "Our position is and has always been that no one has ever been able to suggest that there has ever been a vestige of evidence that any judge in any case ever in this country has been diverted from his duty by any conflict arising from Freemasonic association."

Mr Straw is also to ask the United Grand Lodge – which represents 340,000 Freemasons in England and Wales – to publish regional lists of Masons who are already judges, and others working in the criminal justice system, such as the police. If it refuses, as appears likely, he will create a voluntary registration scheme and, if that fails, the Government will legislate to make registration compulsory.

Lord Bingham said he would not favour a voluntary declaration by judges "because in the absence of any reason to make one's private associations public, one should be entitled to keep them private." The Judges' Council – a meeting of the top 15 or so judges in Britain – will convene today to discuss the matter.

Lord Bingham argued that Freemason membership among the judiciary was "minute" and that there was no question of judges having a higher loyalty to the "brotherhood".

Chris Mullin, chairman of the home affairs committee, said: "It does not surprise me at all to learn that the judges are likely to be hostile to any thought of disclosure. But it does rather destroy the image that they like to create that they are modern and out-going."

He added: "We cannot have one law for the toffs and one for everyone else."

Americans have had enough of the Clinton saga

By David Usborne
in New York

AS THE White House fought to undermine the credibility of Kathleen Willey, the latest accuser in the Clinton sexgate imbroglio, poll figures released yesterday suggested that the President's own standing is being gravely eroded.

Six out of 10 Americans now consider that the President has engaged in a pattern of sexual harassment of women, according to an ABC TV poll published yesterday. Moreover, two-thirds said he should resign if he is shown to have lied under oath about the accumulating allegations.

For the first time, important women on the political stage are beginning to voice reservations about Mr Clinton. Of Ms Willey's allegations, Patricia Schroeder, a former Colorado representative, said: "It really is sexual assault if what happened happened. It makes my skin crawl". With little choice but to counter-punch, the White House released 15 notes and letters from Ms Willey to the President. Nine were sent after 29 November 1993, when Ms Willey says Mr Clinton fondled her, touching her breasts, kissing her and asking her to put her hands on his genitals.

The missives suggest neither anger nor bitterness, but rather a continuing admiration for Mr Clinton. The letters also seek help in getting jobs in the administration. In one Willey even asks to be given an ambassadorship. In November 1994, one year after the alleged assault, Willey wrote to commiserate about Republican gains in congressional elections. "You have been on my mind so after this week. There are so very many people who believe in you ... Take heart in knowing that your No 1 fan thanks you every day".

Bob Bennett, the President's lawyer, alleged that Willey attempted as recently as last week to sell an autobiography for a large sum to a publisher in Los Angeles. He also accused the media of rushing to judgement about her claims. "I believe that the name of the game here is not reaching the truth. The name of the game is to destroy the President," he said.

In better news for the President, a CNN-*USA Today* poll showed 49 per cent wanting an end to press coverage of the sex allegations with only 44 per cent saying the media attention should continue.

In The News, page 3

TOMORROW

■ The loneliness of the stand-up comic THE EYE

■ Acting gay: the toughest part for Jason Hughes of This Life THE EYE

■ Ian Holm: the anguish of playing King Lear on television THE EYE

■ Why middle class schools are failing their pupils EDUCATION

CONTENTS

Recycled paper made up 41.4% of the raw material for UK newspapers in the first half of 1997.

'Government scientists hid the truth about BSE'

By Charles Arthur
Science Editor

A VOCAL CRITIC of the Government's handling of the BSE crisis accused its scientists yesterday of being more interested in protecting farmers' interests than public health, and of massaging statistics to hide the extent of the disease.

Professor Richard Lacey, of the University of Leeds, also claimed farmers are burying cattle "on a massive scale" in remote areas, because their value is effectively negative.

Giving evidence to the BSE Inquiry in London, he said that it was this practice, rather than measures taken by the Ministry of Agriculture, Fisheries and Food (Maff), which had led to a rapid fall in recorded cases. "Farmers want their herds declared BSE-free so they can get accreditation and have a chance to export again. Maff is permitting this practice to go on. The compensation per cow [confirmed with BSE] is only about £200."

However, a spokeswoman for Maff rebuffed his claim. "We are entirely satisfied with the procedure that we use to get the [BSE] statistics." Compensation for cows with BSE is 100 per cent of the "market price", currently £546, while that for cows suspected of having BSE but then found not to have it is £682. Maff pays to have them removed from the farm and disposed of. As for the claims of widespread burial, the spokeswoman said, "We haven't been presented with any evidence."

Professor Lacey, who first said in the late Eighties that BSE might be transmitted to humans – a claim now known to be correct – said that in meetings with scientists from Maff's Central Veterinary Laboratory he had been told they were worried about the adverse effect of his ideas on the media and the beef industry. "I could understand the Meat and Livestock Commission or farmers being concerned," he said. "But I would have thought and hoped that the primary responsibility of vets at the ministry was towards public health."

He called for Maff's database on BSE cases to be made public, echoing previous witnesses, who have said that Maff maintained a secretive culture.

Professor Lacey's opinions were not highly regarded by Maff experts. Yet he pointed out that all the preventive measures he had suggested, often many years ago, to stop BSE-infected animals from entering the human food supply have since been implemented. He had expressed concern about bones used to make gelatin, and cast doubt on Maff's early assertions that BSE-infected cattle could not pass the disease to their calves. Such "maternal transmission" is now proven.

He said that a forecast he made eight years ago to a Parliamentary Committee, that "if the worst" happened, up to 5 per cent of the UK population could die of BSE-induced disease, might still be correct.

He now maintains BSE is endemic in the UK, kept going by both maternal and "horizontal" transmission – in which infected cattle or pasture pass the disease agent to uninfected cows.

Arrested development: The disgraced former Tory minister Jonathan Aitken at his home in London yesterday after being questioned for two hours by police investigating an alleged conspiracy to pervert the course of justice. Mr Aitken was [illegible]

Straw backs chairman of Lawrence inquiry

By Jason Bennetto
Crime Correspondent

JACK STRAW, the Home Secretary, yesterday gave his full backing to the man selected to oversee the inquiry into the murder of black teenager Stephen Lawrence. He stated his position at a meeting with the dead youth's parents and legal team.

The meeting was called after the inquiry was brought to a halt within the first of hour of it starting on Monday, following concerns that the chairman may be unsympathetic to race issues.

A newspaper article about Sir William Macpherson, a retired judge, cited several examples in which it was alleged that he took a hard and at times unsympathetic approach to cases in which race was involved. Sir William, 71, dismissed the article "with contempt", but agreed to adjourn the inquiry into the murder of Stephen, aged 18, who was stabbed to death at a bus stop in south-east London by a gang of white youths in 1993.

Stephen's parents, Neville and Doreen, were accompanied by their legal representatives, Michael Mansfield, QC, and Imran Khan, to the meeting with Mr Straw.

Mr Straw was thought to have made it clear that both he and the Lord Chancellor believed Sir William would handle the inquiry fairly and sensitively and that they had full confidence in him.

The inquiry, which will also examine what lessons can be learned for future investigations into race killings, was set up after years of campaigning by the Lawrence family.

In a surprise development at the start of the hearing on Monday, Mr Mansfield told Sir William that the family had "very legitimate concerns" which they wished to discuss with the Home Secretary and which had been triggered by a Sunday newspaper article criticising the inquiry chairman.

Critics of divorce reform fail to derail legislation

By Colin Brown
Chief Political Correspondent

NEW divorce laws involving counselling sessions for couples is still due to go ahead, Whitehall sources said last night, rejecting reports that the legislation had run into trouble.

The Tory reforms to the divorce law require a three-month cooling off period and information sessions by divorce experts before couples can legally end their marriages.

Lord Irvine, the Lord Chancellor, was said to be having doubts about going ahead with the Family Law Act, but Whitehall sources said last night that the sniping was probably coming from lawyers foreseeing part of their business being taken away by state-funded counsellors in divorce.

The main problem reported by the mediators carrying out a series of pilot projects for the Government is that not enough people are coming forward for the information sessions for researchers to assess the value of the system.

But so far, the majority going through the information sessions before divorce say they are useful; about 66 per cent have said the sessions were useful and 33 per cent said they were very useful. "There is tremendous confusion in the reports between mediation and information sessions,"one of the organisers of the pilots said.

The Act, introduced by the Tory Lord Chancellor, Lord Mackay, was intended to bring in "no fault" divorce, but was heavily amended after a rearguard action by right-wing Tory supporters of the traditional family to stop divorce being made easier. The pilot schemes were proposed as a compromise.

The Act, which is due to come into force in January, next year, will give couples with no children a three-month cooling off period, during which they would be required to go to information sessions. Those with children would be delayed 18 months before divorce.

Crowd attacks home of suspected paedophile

A crowd of more than a hundred people smashed windows and caused damage after demonstrating outside the home of a suspected paedophile.

Police said eight people were arrested after an "unruly crowd" of 150 people gathered at Dalkeith, near Edinburgh, on Monday night outside the home of a man they believed had been involved in paedophile activities. The man is thought to be Brian May, who was convicted in 1994 at Edinburgh Sheriff Court of eight offences involving boys aged 8 to 11. The indecent acts, involving six boys, took place between August 1989 and December 1992.

The crowd gathered with the aim of "forcibly evicting" him. A police spokeswoman said: "This was completely unwarranted. There is nothing happening between him and the police, he is not being investigated, but local opinion had taken the decision that he has been involved with young boys." Six people appeared in court yesterday charged with alleged vandalism and breach of the peace. Five pleaded not guilty.

— Glenda Cooper

Shell shock for schoolboy

The Army yesterday warned the public not to touch military debris after a boy who found a high-explosive shell on Dartmoor took it home and kept it in his bedroom overnight before taking it into school.

Teenager Andrew Good, from Belliver, near Plymouth, found the 18lb Second World War shell while training for the Ten Tors challenge this weekend, held each year over the moor. A spokesman for Devon and Cornwall police said that Andrew took the device into John Kitto Community College in Plymouth, Devon, on Monday for his art class to draw. Four classrooms were evacuated and a teacher put the device into a bucket of sand and took it into the school garden, where it was collected and made safe by the bomb squad.

Drink driver was 'lucky'

A drink driver who was jailed for four months yesterday after being caught with an alcohol level eight times over the limit was "lucky to be alive", according to medical experts.

Matthew Roman, of Horsham, West Sussex, registered 276 microgrammes of alcohol in 100 millilitres of breath – the legal limit is 35. The 23-year-old was also given a five-year driving ban. He claimed that he had not drunk any alcohol on the day he was caught but that he had consumed up to four litres of sherry and some strong lager in the two days before.

Killers jailed for life

Three members of a smash-and-grab gang were yesterday given life sentences for the murder of a jeweller stabbed in a bungled raid.

Gerry Hales, 61, a respected businessman and grandfather, suffered 34 wounds in a frenzied knife attack while trying to defend his High Street shop in Cowbridge, South Wales. Mr Justice Moses sentenced Orlando Sir, 28, to 14 years for wounding and 12 years for robbery, to run concurrently with his life term. Two getaway drivers, Dallas Lee, 27, and Charles Frayne, 20, were also convicted at Cardiff Crown Court of the murder and of wounding Joseph Gatt, 28, a passer-by who tried to save Mr Hales' life.

Study into end of duty free

Glenda Jackson, the transport minister, yesterday backed calls for a study into the impact of abolishing duty-free shopping throughout Europe. She joined a majority of EU ministers meeting in Brussels in demanding a detailed investigation into the possible job and financial losses if the planned ban comes into force as agreed in July next year.

Cook's divorce confirmed

Robin Cook, the Foreign Secretary, is free to marry his mistress, Gaynor Regan, following confirmation of his divorce from his wife, Margaret, a consultant at St John's Hospital in her husband's constituency of Livingston. The end of their 28-year marriage came last Friday in private at the High Court in Edinburgh. Mr Cook, 53, was in the city that day for the informal meeting of European foreign ministers.

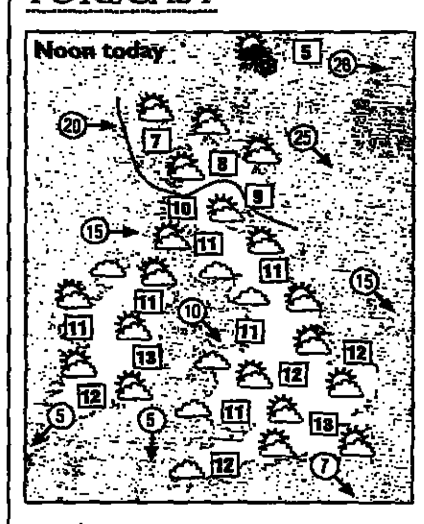
Reprieve for councillor

A councillor suspended by Labour's National Executive Committee during an investigation into a £42,000 expenses fund will not face prosecution, it was revealed yesterday.

The Crown Prosecution Service has decided not to take action against John Black, the former housing chairman in Deputy Prime Minister John Prescott's troubled Hull constituency. Mr Black was suspended by the NEC when Humberside Police announced they were investigating a £42,000 bill for civic hospitality run up during his year as Lord Mayor of Hull in 1995-96. A police spokesman said that the CPS had advised that there was insufficient evidence to justify criminal proceedings.

FORECAST

Noon today



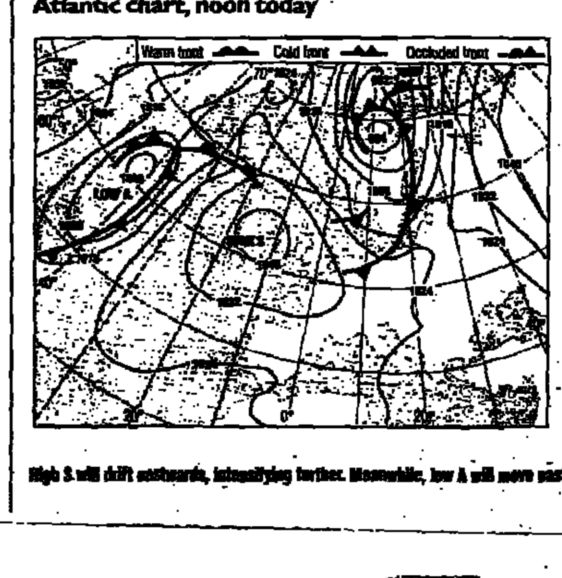
Today's forecast

Northern Scotland will be cool and blustery with sunny spells and the odd passing light shower, the showers falling as sleet in the Northern Isles. Southern Scotland and Northern Ireland will be dry and reasonably bright with some sunshine at times. England and Wales will be fine and settled with variable amounts of cloud and some lengthy sunny periods. Away from northern Scotland it will be mild and it should feel pleasantly warm where the sun

Outlook for the next few days

An area of high pressure will be firmly anchored over Eire up to and throughout the coming weekend, leading to a settled week but we will be chasing holes in the cloud to see where the best of the sunshine will be. Weak fronts will bring a little rain to the Northern Isles of Scotland, but elsewhere it will stay dry with some sunny spells and above average temperatures. There may be overnight fog patches in places and the risk of local ground frost.

Atlantic chart, noon today



High 1 will drift eastwards, intensifying further. Meanwhile, low A will move east-north-eastwards.

Air quality

Yesterday's readings

	NO_2	SO_2
London	Moderate	Good
S England	Good	Good
Wales	Good	Good
C England	Good	Good
N England	Good	Good
Scotland	Good	Good
N Ireland	Good	Good

Outlook for today

	NO_2	SO_2
London	Moderate	Good
S England	Good	Good
Wales	Good	Good
C England	Good	Good
N England	Good	Good
Scotland	Good	Good
N Ireland	Good	Good

High tides

	AM	HT	PM	HT
London	04:37	6.8	16:56	6.9
Liverpool	01.47	8.8	14:01	8.6
Avonmouth	09:54	12.1	22.09	11.7
Hull (Albert Dock)	09.06	8.1	21:21	8.0
Greenock	03.22	3.1	15:23	3.2
Dun Laoghaire	02:10	3.7	14:40	3.7

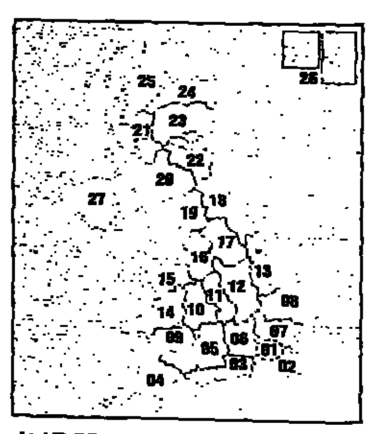
Height measured in metres

Lighting-up times

Belfast	18.33 to	06.29
Birmingham	18.17 to	06.13
Bristol	18.20 to	06.16
Glasgow	18.26 to	06.23
London	18.10 to	06 06
Manchester	18.18 to	06.15
Newcastle	18.16 to	06 12

Sun & moon

Sun rises: 06.09 Sun sets: 18 10
Moon rises: 23.38 Moon sets: 08.36
Last quarter March 21



INDEPENDENT Weatherline

For the latest forecasts dial 0891 5009 followed by the two digits for your area indicated by the above map

Source: The Met Office. Calls charged at 50p per min at all times (inc VAT)

Out and about with AA Roadwatch

Call 0336 401777 for the latest local and national traffic news. Source: The Automobile Association. Calls charged at 50p per min at all times (inc VAT)

World weather most recent available figure at noon local time

Alexandria	Sh	10	50	Cairo	Sn	18	64	Kuala Lumpur	F	34	93	Perth	S	37	99
Algiers	S	21	70	Calgary	C	0	32	Lima	F	29	84	Prague	R	7	45
Alicante	S	20	68	Cape Town	R	17	63	Lisbon	S	20	68	Reykjavik	H	-4	25
Amsterdam	C	10	50	Caracas	F	29	84	Locarno	S	14	57	Rio de Jan	Dr	22	72
Anchorage	F	7	45	Casablanca	F	21	70	Los Angeles	C	17	63	Rome	S	17	63
Athens	C	7	45	Chicago	F	2	36	Madrid	S	18	64	San Fran	C	15	59
Auckland	F	19	66	Cologne	C	9	48	Majorca	S	18	64	Santiago	F	20	68
Bahrain	C	29	84	Copenhagen	C	6	43	Malaga	S	20	68	Singapore	Sh	33	91
Bangkok	F	36	97	Crete	C	9	48	Mexico City	S	24	75	Stockholm	M	1	34
Barbados	R	25	77	Darwin	C	32	90	Miami	F	24	75	Sydney	C	25	77
Barcelona	S	18	64	Florence	S	14	57	Milan	S	17	63	Tel Aviv	C	18	64
Beirut	C	13	55	Geneva	F	12	54	Montreal	S	-2	28	Tenerife	F	24	75
Belgrade	F	4	39	Gibraltar	S	19	66	Moscow	C	-7	19	Tokyo	F	13	55
Berlin	Dr	9	48	Harare	C	24	75	Munich	R	7	45	Toronto	S	-3	26
Bermuda	F	19	66	Hong Kong	M	21	70	Nairobi	F	27	81	Tunis	C	19	66
Bogota	F	24	75	Honolulu	S	29	84	Nassau	F	23	73	Vancouver	F	9	48
Bombay	F	30	86	Istanbul	C	4	39	New Delhi	F	26	79	Venice	C	10	50
Brisbane	S	30	86	Jakarta	F	33	91	New York	F	3	37	Vienna	R	2	36
Brussels	C	11	52	Jerusalem	R	20	68	Nice	S	16	61	Warsaw	F	1	34
Bucharest	Sn	4	39	Jo'burg	F	26	79	Oslo	C	6	43	Washington	C	6	43
Budapest	C	8	46	Kathmandu	C	21	70	Paris	C	10	50	Wellington	C	18	64
Buenos Aires	C	24	75	Kiev	Sn	-2	28	Peking	C	14	57	Zurich	C	9	48

Girl, 6, died after heart surgery

A SIX-YEAR-OLD girl died at Great Ormond Street Hospital when a heart procedure went "horribly wrong", the General Medical Council heard yesterday. James Taylor, a paediatric cardiologist, who was supervising the operation, did not have the parents' consent to carry out the procedure on Debbie Jenkins, who was born with a congenital heart defect.

Dr Taylor has admitted operating on Debbie without her parents' consent, but denies having been aware that the parents were opposed to the procedure whereby a balloon catheter was used to try to enlarge a narrowed artery.

He also denies having told Debbie's parents, Carolyn and Ross Jenkins, of Sprowston, Norwich, that he would not use such a procedure, and also denies not having had sufficient medical grounds to proceed without their consent.

Mr Jeffrey Burke QC told the hearing in London that Debbie was born in 1988 with a serious heart defect. Debbie had two open heart operations and in 1995 her parents noticed that she was breathless. Mrs Jenkins met Dr Taylor in July 1995 to decide whether to carry out a diagnostic operation.

Mr Burke, presenting the case against Dr Taylor, said that at the meeting between Mrs Jenkins and the doctor there was specific reference as to whether a balloon catheter would be used. Dr Taylor said he would not consider it at this stage. Mrs Jenkins, who runs the parent support group Heartline in East Anglia, was opposed to such a procedure because she thought it was risky.

Dr Taylor, who denies serious professional misconduct, also spoke to her husband before it was agreed that Debbie would undergo the diagnostic operation on 7 July.

Mrs Jenkins signed a consent form, but before signing it, she said she did not want a balloon catheter inserted. But, said Mr Burke, when Debbie was undergoing the procedure Dr Taylor realised that an artificial conduit that had been inserted into an artery during other previous surgery had become deformed and was causing a blockage in her blood flow which he realised a balloon catheter could rectify.

Mr Burke said: "He then decided despite all that had passed between him and Mr and Mrs Jenkins over the last two days and despite the absence of consent of which he was fully aware, to go ahead and proceed with a balloon catheterisation."

The balloon burst and attempts to retrieve it over the next three hours failed. The remains of the balloon blocked the artery cutting off blood to the brain. Debbie died the next day. Dr Taylor, said the lawyer, was devastated by what happened and at one point said he was only trying to help the girl.

Mr Burke said the issue was not one of negligence but the fact that there was no consent for what he decided to do. Only if it had been an emergency would his actions have been appropriate.

Mr Burke added: "Dr Taylor, we have no doubt, is a highly qualified and highly reputed paediatrician in what is a renowned centre of excellence.

"Unhappily in the case of this child on this particular occasion we say that by acting as he did he is guilty of serious professional misconduct."

Kathleen Willey, the mysterious 'other woman' Photograph: Dean Hoffmeyer/ Reuters

Meteor from the Sexgate cosmos

IN THE NEWS

KATHLEEN WILLEY

FOR MONTHS she was the mysterious "other woman" in the Clinton sex chronicles first mentioned by *Newsweek* last summer, writes **David Usborne** in New York. What her significance would be, few of us could fathom. Today we know and her Richter rating is high.

With her appearance on the CBS *60 Minutes* programme on Sunday, Kathleen Willey, 51, blasted into the consciousness of every American. She is a meteor from the murky Sexgate cosmos. And this is a meteor that did not miss. She is the first woman to testify that the President sexually harassed her since his election to the White House. The Paula Jones "kiss-it" allegations date to his time as governor of Arkansas. Monica Lewinsky, the intern, denied what she is reported to have told a friend: that she had sexual relations with him.

Adjectives are crucial when it comes to accusers of the President. Those applied to Mrs Willey were not good for the White House. Among them were "dignified", "credible" and "reluctant", as in reluctant accuser. They were not those applied to other accusers, Ms Jones, Ms Lewinsky and Gennifer Flowers - "big-haired", "obsessive", "trashy" and so on.

The White House is branding Mrs Willey with a new lexicon. By releasing notes she wrote to the Oval Office after the encounter in question, on 29 November 1993, when she says Mr Clinton fondled her, it is describing a woman emotionally overwrought, verging on fixated, with getting proximity to Mr Clinton.

Friends and former colleagues have mixed testimonials about Mrs Willey. Many speak of her good looks, intelligence and wit. But another characteristic has emerged: a volatility under the calm exterior and a tendency to take offence quickly when faced with perceived slurs.

Mrs Willey and her lawyer husband, Ed, campaigned for Mr Clinton and gave $4,000 to his White House effort. For her loyalty, Mrs Willey got a non-paying secretarial job in the White House social office. On that November day, however, she came to see the President for a paying job, because she needed money. She needed money because her world was falling apart. Days before, Mr Willey, hooked to a high life, told her and their two children he had stolen $274,000 from clients; the couple had two weeks to repay it. On the day Mrs Willey went to see Mr Clinton, and allegedly suffered the humiliating encounter outside the Oval Office, her husband had packed his case and disappeared. As she was only to discover the following day, he had gone to a forest near their Virginia home and shot himself.

The notes being peddled by the White House do not suggest a woman angered by whatever occurred. On the contrary, she apparently fought fiercely to keep her contact with the President alive. She met him again that December. Within a month she wrote wishing him a "wonderful Christmas" and asking again for a "meaningful job". The jobs did come: she worked from April 1994 in the White House legal office as a secretary. After being asked to leave she was sent to two foreign conferences on the administration's behalf.

In recent years Mrs Willey has retreated to her Virginia home and a series of unglamorous secretarial positions, including one in a bakery. Creditors demanding their stolen money back have largely been paid, thanks to her husband's $1m life assurance policy.

WILLEY'S ALLEGATION
Mrs Willey describes Mr Clinton taking hold of her in a corridor outside the Oval Office, kissing her on the lips and asking her to place her hand on his aroused genitals. Her instinct was to slap Mr Clinton but she hesitated, thinking, "I don't think you can slap the President of the United States".

HEADLINES
Mrs Willey opened new vistas for tabloid headline-writers. Yesterday's New York Post front page had "Bill Gets the Willeys". On Monday the same paper had simply [illegible] "Slap Him". The *Daily News* on the same day was more pithy still: it just screamed "Slap Him".

THE FORUM
Mrs Willey spelled out her allegations in a sworn deposition in the Paula Jones case. Her impact, however, came with her appearance on *60 Minutes* on Sunday. In this there was some symmetrical irony. *60 Minutes* was the forum chosen by Mr and Mrs Clinton in 1992 to calm the Gennifer Flowers controversy.

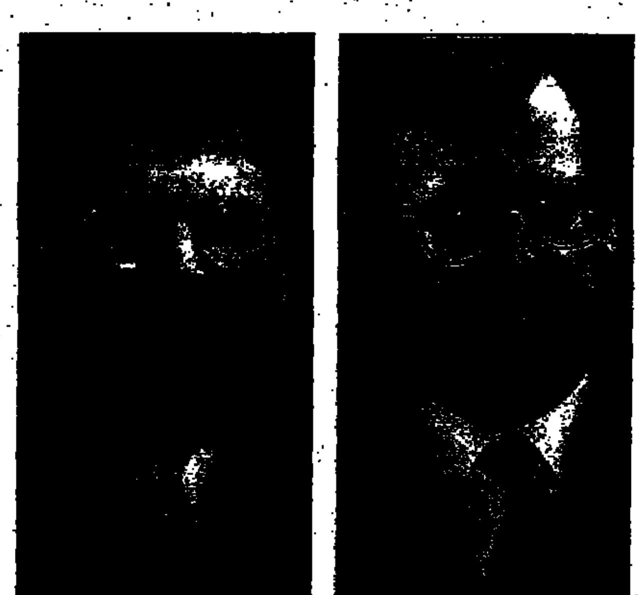
THREAT TO CLINTON
Americans apparently found Mrs Willey credible. For the first time there are signs female voters are turning against Mr Clinton. The White House risks being seen as sleazy with its counter-attack on Mrs Willey's credibility. For those who remember the Anita Hill-Clarence Thomas stand-off, the strategy seems depressingly familiar.

Clinton pledges to work flat out for Ulster peace

By Mary Dejevsky
in Washington

PRESIDENT Clinton yesterday confirmed his personal commitment to peace in Northern Ireland, pledging himself to a "30-hour marathon effort to try to close as many gaps as I can in the Irish peace process". Speaking at the annual St Patrick's Day presentation of the shamrock at the White House, Mr Clinton urged all parties to look beyond short-term calculations and seize a "hopeful and historic opportunity for peace".

With the Irish peace talks at a crucial stage – they reconvene in Belfast on Monday for what the Government hopes will be one last concentrated sprint towards agreement by Easter – all the leading players were in United States for the holiday. As well as Bertie Ahern, the Irish Prime Minister, Mo Mowlam, the Secretary of State for Northern Ireland, David Trimble, the Ulster Unionist Party leader, and Gerry Adams and Martin McGuinness of Sinn Fein, had all travelled to Washington. And while they had separate meetings with members of Congress on Capitol Hill, at the White House and with the press, there was little of the studied avoidance of the past.



In town: Gerry Adams (left) and David Trimble

They dined together, though on separate tables, at the British embassy St Patrick's Day lunch on Monday, and this was the first time Gerry Adams had been invited to the Washington embassy. It also marked a change of emphasis for the embassy, whose St Patrick's Day lunch was arranged in the past as a counterweight to the overwhelmingly republican tone of festivities in America. They were together again at the White House in the evening for the St Patrick's Day party.

US officials said that they hoped the contacts in Washington would help create more flexibility in advance of the Belfast talks, and there was a general air of optimism among British and Irish officials. Echoing the view of his British counterpart, Tony Blair, that agreement was "agonisingly close", Mr Ahern, told CNN that "what's been negotiated since 24 September and what is now in substantive form in various proposals is very near conclusion".

Emerging from a 45-minute meeting with Mr Clinton on Monday night, Gerry Adams also sounded optimistic, saying: "I think there is the capacity to have an agreement." He added a hope that there would be no new violence: "I think hopefully there will nothing remiss, but if there is we cannot allow that to deflect us or to shoulder us off the path that we're on."

Ms Mowlam told reporters that she knew the Easter deadline set for agreement, to enable a referendum to be held before the end of May, would be "tight and tough". But she said she believed it would be met. In the absence of agreement, however, there would be no referendum: "If all parties campaigned against it, it would be political suicide," she said.

Praising the American contribution in the approach of the next, crucial stage of talks, Ms Mowlam said "the can-do American spirit has a positive effect". Mr Clinton had already had a positive impact by "providing a united front when we face difficulties" and nudging the parties "when progress had to be made". She also held out the possibility that he might make a return visit to Northern Ireland, perhaps before a referendum. "We are not urging him," she said, "but he would be most welcome."

Top schools expel three over drugs

By Steve Boggan

THREE BOYS have been expelled from two of the country's top schools after being found in possession of drugs.

Two sixth-formers, aged 17 and 18, were excluded from Eton (fees £12,000 pa) when a policeman caught them smoking cannabis in Windsor, less than a mile from the school. They escaped with a caution, but were automatically expelled because of the school's strict anti-drugs policy.

A third boy, named as Tom Wilson, the sixth-form son of a housemaster, was withdrawn from Charterhouse (fees £13,500 pa), in Godalming, Surrey, after an investigation by staff uncovered a "suspicious" substance in his room. Two other boys, both aged 15, have been suspended.

The headmaster of Charterhouse, the Reverend John Witheridge, said: "Due to the school's vigilance and the discovery of suspicious material in a boy's room an internal investigation was carried out. As a result of the investigation two boys in the second year have been suspended and a boy in the first-year sixth has been withdrawn from the school." The two 15-year-olds would be allowed to return in the second week of next term but Mr Witheridge said they would face random drug tests for the rest of their time as pupils.

At Eton, one member of staff said: "It is a source of dismay to us all – anything of this nature would be. But drug-taking is regarded extremely seriously here." Tests are carried out on boys suspected of taking drugs, with those who test positive being either expelled or suspended. A spokeswoman for Windsor police said: "[The boys] were interviewed by officers and offered a caution because of the small amount of drugs and the fact it was a first offence. They were given a stiff talking to and hopefully they will be discouraged."

Mark Morrison (centre) with minders yesterday at Marylebone Magistrates Court, London, where he was told he would be held in custody until 26 March

Singer Mark Morrison remanded in custody over weapon charge

THE SINGER Mark Morrison was yesterday remanded in custody after he was refused bail on a charge of possessing an offensive weapon, *writes Kate Watson-Smyth.*

He pleaded not guilty before Marylebone Magistrates Court after failing to turn up in court for a hearing scheduled for 14 January. The charge relates to an incident in west London last August when a truncheon was allegedly found under the driver's seat of his black BMW during a "routine stop".

He was arrested at Heathrow airport last night as he returned to Britain from Barbados and appeared in court smartly dressed in a black roll-neck sweater and grey-green check jacket.

The 25-year-old singer, who had an international hit with "Return of the Mack" in 1996, listened impassively as Elizabeth Hogben, the stipendiary magistrate, said he would be held in custody until 26 March.

He also pleaded guilty to failing to surrender to bail on 14 January and was fined £100 or given the option of spending a day in jail.

Failure is missed in rich area schools

By Judith Judd
Education Editor

SCHOOL inspectors are failing to pinpoint schools in middle-class areas that are letting down their pupils, according to new research.

A Durham University study of secondary schools named by government inspectors as failing shows that all but two were in the poorest parts of the country. None were in the most prosperous areas.

Yet a week ago an Audit Commission investigation found that some schools in affluent areas were getting GCSE results no better than those in deprived ones.

Ofsted last night accepted that it had not, until recently, had the mechanism to identify easily poorly performing schools in prosperous areas but said that was now in place. A spokesman said he expected that inspectors would soon be failing poor middle-class secondary schools.

The Durham study, for tomorrow night's *Dispatches* programme on Channel 4, analysed the proportion of pupils on free school meals – an accepted measure of deprivation – for 83 failing schools.

At 59 schools, more than 35 per cent of pupils were eligible for free meals; the national average is 18 per cent. At 21 of the schools the percentage taking free meals was between 22 and 35 per cent and at three the percentage was between 14 and 21 per cent.

Mark Wightman, of Durham University's Curriculum, Evaluation and Management Centre, who analysed the figures, said: "I agree with the Government that poverty should not be an excuse for failure but there doesn't appear to be anything to take into account the difficulties teachers have with their intake.

"Some of the failed schools are actually doing slightly better than you might expect, given the range of ability of their pupils. Ofsted seems to be punishing schools for a whole range of social evils that they can't do much about."

Equally, he added, there were some schools which looked good in terms of the proportion of pupils getting A - C grades where a lot of those Bs and Cs should be As and A*s.

Mr Wightman did not analyse primary schools and accepts that some primaries in middle-class areas have been failed.

A spokesman for Ofsted said it did not disagree with the analysis but pointed out that some schools with a high proportion of pupils taking free meals had overcome the handicap.

"We have no doubt that we have got it right with these failing schools. In identifying these schools we are bringing them attention, support and extra resources and educational hope to the children in them."

Ofsted was concerned, he said, that some schools in prosperous areas were under-performing. "Until recently we have not had the statistics or mechanism easily to identify schools which are doing well by national averages but under-achieving. We now do. We will be focusing more on coasting secondary schools."

In the programme, Professor Tim Brighouse, Birmingham's chief education officer, calls for an independent inquiry into Ofsted. He recently had a series of disagreements with Chris Woodhead, the Chief Inspector of Schools, over a report on the authority.

Mardi Gra bomb hits high street

By Jason Bennetto
Crime Correspondent

THE MARDI GRA bomber is believed to have struck for a 34th time after a device exploded in a busy street in south-east London yesterday.

No one was injured in the incident, although two elderly women needed treatment for shock, after the homemade bomb went off in a black plastic bag at about noon.

Once again the Sainsbury supermarket chain appeared to be the target of the attack, with the device left close to a store in Eltham high street.

Anti-terrorist officers and forensic experts cordoned off the area and searched for clues to the person behind the extortion and terror campaign who has alluded capture for more than four years.

The device was placed at the base of a metal street map close to a bus stop at the entrance to a small shopping mall leading to the Sainsbury's supermarket.

A Scotland Yard spokesman said: "We suspect this to be down to the person or persons calling themselves the Mardi Gra bomber."

Detectives warned earlier this month that the bomber could kill soon.

A 17-year-old man was injured in the leg just over a week ago when a shotgun device exploded outside a Sainsbury's store in Forest Hill, close to Eltham.

The bomber turned his attention to Sainsbury's in November 1996 after originally pursuing an extortion campaign against Barclays Bank from 1994.

DAILY POEM

Large Mercies

by D J Enright

I remember the schoolgirl under the bus,
Her bicycle lying in her blood,
And the driver in tears, saying over
And over, "I'll never drive again."

I remember too, her leg was amputated,
And when she passed her exams
The local paper announced it proudly,
And again when she married.

That means it wasn't a bad life.
No one was dragged out of bed by
Armed men. Children weren't speared
Or their brains dashed out. I don't
Remember seeing a man starve to death.

That's something we shouldn't forget –
That we don't remember things like that.

This week's poems celebrate D J Enright's half century as a published poet and come from his new *Collected Poems 1948-1998* (Oxford University Press, £15). Enright taught English for many years in the Far East and Egypt, and has also worked as a publisher, critic and editor. This poem first appeared in *The Terrible Shears* (1973).

Paco was a heroin addict, and he kept my children in Spain

Kate Watson-Smyth on an organisation that reunites familes, but is in crisis

Dawn Mainstone finally won custody of her children, Laura, Francis and Jessica Photograph: Andrew Hasson

TWO YEARS AGO Dawn Mainstone and her three children ran away from her Spanish husband after she discovered him injecting heroin in their sitting-room.

After a 12-month battle she was granted custody by the High Court in London and agreed to let the children visit Paco twice a year. But a few days before they were due to return from their first visit, Paco rang to say they would not be coming home. It was nearly a year before she saw her children again.

The number of children being abducted by one of their parents following a divorce has increased by 58 per cent since 1995. And now one of only three or four organisations in Europe that works to bring them home is facing closure.

Reunite, formed in 1986 to help parents recover children who have been taken abroad, may have to close by the summer unless it can urgently raise funds.

The organisation helped Ms Mainstone find a solicitor and advised her on the Spanish legal system, enabling her to win her children back. Ms Mainstone, aged 29, met Paco 10 years ago shortly after she started work in a bar in south-east Spain. They married in April 1989 – two days before her twentieth birthday – and Jessica was born two months later. Dawn settled into a new life and 17 months afterwards she had Laura. "I was happy with Paco, although he was very often out till late," she said.

"Then one day I walked into the house and found him injecting himself with heroin. I had had no idea, I had never been around drugs ..." Paco promised that it was a one-off and Ms Mainstone stayed with him. Francis was born in 1994 and then she discovered that her husband had sold all the baby's nappies to pay for his habit.

She saved up her child benefit and returned to England. Paco started proceedings at the High Court and Ms Mainstone knew that under the terms of the Hague Convention, the children would have to return to Spain and she would be charged with abduction. She persuaded him to drop the case and immediately sued for and won custody. Then Paco took the children.

"I got in touch with Reunite who helped me with the court case in Spain but the authorities said the children had been born over there and they had to stay, despite the fact that Paco was a drug addict. Reunite helped me to find a solicitor ... finally I was granted custody."

It was just one of many cases that Reunite deals with every year. Denise Carter, the director, said: "Last year we dealt with 230 cases involving 338 children but there are probably twice as many as that."

Ms Carter, who joined Reunite after fighting a custody battle over her own children in the United States, said the problem was growing as the number of cross-cultural marriages increased. "The classic example is the holiday romance which goes wrong and the mother finds herself trapped in a bad marriage in a foreign country.

"If she leaves her husband and returns to Britain with the children, she is breaking the terms of the Hague Convention, which states that a child must return to the country in which it was originally resident. Once the child has been returned, the mother is left fighting to get her children back. She has no representation in a foreign country, fighting a legal system she doesn't understand."

Reunite advises parents on how to find their children and works with detective agencies and lawyers to help them through a custody case. But unless the charity can raise more money, it might have to cut back on its services or even close.

Ms Carter said: "We receive £40,000 from the Government but last year we spent £103,000 ... We have asked for National Lottery money twice and been refused each time and I cannot see us ever fitting the criteria so that we can qualify for a grant. We are desperately trying to keep our doors open for the parents but I am not sure how much longer we can keep going."

Bill Olner, chairman of the all-party group on child abduction, said: "We are fighting to get more money for Reunite but it seems that child abduction is an issue that often gets pushed down the agenda. The problem is increasing and we need to build up a network of similar organisations across Europe, rather than have to fight to keep this one open."

That think-tank, Part II

HERE'S MORE on The Smith Institute, that exciting new think-tank endorsed by No 11 Downing Street. Originally set up in Edinburgh before the last election, the organisation is inspired by the example of the late Labour leader John Smith. When its first administrator, Murray Elder, left to work for the Scottish Office, Wilf Stephenson, an old Edinburgh friend of the Chancellor and director of the British Film Institute until September 1997, took the helm. With typically Scottish frugality, Mr Stephenson is running the organisation out of his London home. "We are a think-tank based on exploring notions of inequality," he told Pandora. The group's counselling session will each be led by two distinguished pundits (eg Polly Toynbee and Ruth Lister on welfare). "We believe it is possible to reconcile the principles of social justice and economic efficiency," says Stephenson. Sounds like a New Labour version of Relate?

The diplomat of SW13

AN OMINOUS storm cloud is hanging over one of London's finest restaurants. Visitors to Andrea Riva's celebrated trattoria in Barnes have reported a new regular. Outspoken Chris Patten, back in his old south-western suburban neighbourhood after returning from his stint as governor of Hong Kong, has acquired a taste for Riva's north Italian delicacies after years of Cantonese cooking. However, one of Riva's regulars is Eddie Bell, the gruff Glaswegian chief of HarperCollins, who recently dumped Patten's book. The commotion that could erupt should the two men find themselves at nearby tables is unimaginable. Fortunately, Riva, who was nominated as Host of the Year for Carlton Restaurant Awards, is the most diplomatic of men.

Well done, Willi

PANDORA attended that awards ceremony last night at the Dorchester. Unfortunately, the evening seemed to be as much about "Carlton" as about "Restaurant Award". Minor TV celebs were trotted out to present trophy platters to the winners, with Pierre Koffman of Tante Claire named Best Chef and critic Fay Maschler given a special award by two chefs, Brian Turner and Antony Worrall-Thompson, whom she had been critical of in the past. However, Pandora was most impressed by the superb dinner offered by Dorchester chef Willi Eisner, a far cry from the usual "banquet" stodge.

Donald's royal invitation

IF PRINCE ANDREW is looking for new ways to serve his country, he might taking a look at another royal role model: Prince Albert of Monaco. It appears that Albert is keen for Monaco to play host to next year's Miss Universe beauty parade. Or so claims Donald Trump, who controls the event along with numerous Manhattan skyscrapers and hotels. The *NY Post* has printed some of The Donald's reply, in which he invites Prince Albert to attend this year's pageant in Hawaii: "I can assure you that this will be a very enjoyable and enlightening experience." Come on, Andy, show little Monaco what you're made of and capture this "experience" for your Mum's loyal subjects.

Age shall not wither him

AFTER yesterday's arrest of Victoria Aitken, police sources said that another "56-year-old male" was being held. Journalists first assumed this was Victoria's father; then suspicion fell on Said Ayas, the millionaire Saudi Arabian deal fixer. However, he had always given his age as 50. When police confirmed that it was Ayas it was a a shocking revelation to some hardened journalists!

What no Clinton? Phew

MEANWHILE, a flicker of hope that Americans may be tiring of the tawdry media circus at the White House. A banner across the cover of the new issue of *Time Out New York* reads: "Practically No Clinton Content Inside."

Pandora

The policeman who flew too high

Ray Mallon believed in zero tolerance and went on TV, but some people didn't like it, says **Jason Bennetto**

Since his suspension Ray Mallon has been working out and seeing his family. 'My job is not on the line – I have nothing to fear' Photograph: North News/Ian Cross

HE WAS courted by politicians, loved by the media, who dubbed him Robocop, and enthusiastically promoted by his bosses. For several months last year he was probably Britain's most famous policeman.

But last week Ray Mallon was not out catching crooks or lecturing chief constables about his vision of zero-tolerance policing. He was sitting in a snooker hall, wearing a track suit and running shoes, drinking coffee.

On 1 December the meteoric rise of the head of Middlesbrough CID came to a shuddering halt when he was suspended following corruption allegations. As the police inquiry into Middlesbrough CID drags on there is a growing suspicion among supporters of Detective Superintendent Mallon that his fall is partly due to his celebrity status.

Put crudely, they suggest that Det Supt Mallon got too big for his boots and had to be put in his place. Supporters point to two revelations that suggest it is suddenly getting personal. The Cleveland police force has just set up a second inquiry to the current corruption investigation. Operation Lancet, which is believed to be looking into Det Supt Mallon's expenses prior to 1994. And in a highly unusual move traffic-police officers throughout Cleveland have also been asked to report to the second inquiry team any previous sightings of Mr Mallon's car.

Operation Lancet, which is being overseen by the Police Complaints Authority, is understood to be investigating allegations that a hard core of CID officers has been involved in trading drugs for information from criminals, and threatening and beating up suspects or potential informers. The allegations include that of a man taken to wasteland and assaulted, another threatened with being pushed from a bridge, and a third who says he was thrown into a makeshift grave as a means of intimidation. So far seven officers from Middlesbrough CID have been suspended, pending the outcome of the investigation, and a further four moved to other duties.

But Bob Pitt, a Labour member of the Cleveland Police Authority and Middlesbrough council, believes that: "Operation Lancet will come to nothing. Issues of corruption and bad practice have gone on for nearly a decade, the only way to deal with this is a full public inquiry."

The reaction in Middlesbrough to the inquiry has been unexpected. Far from shock and outrage at the unproven suggestions that senior police officers were acting like thugs and enforcers, most people appear angered at the removal of Ray Mallon. He continues to top popularity polls and many people quite openly believe that there is nothing wrong with strong-arm tactics.

Det Supt Mallon shot to fame in October 1996 when he took charge of Middlesbrough CID and immediately vowed that he would quit if he failed to cut crime by 20 per cent in 18 months. Preaching his version of the New York style of zero-tolerance policing, in which officers challenged anyone who flouted a law, however minor, he quickly became the darling of the lecture circuit and started to catch the eye of politicians with his message "we can make a difference".

He was brought in to clean up Middlesbrough after reducing the crime rate in nearby Hartlepool, says Richard Brunstrom, the Assistant Chief Constable of Cleveland Constabulary. "We told him to go there and demonstrate that zero tolerance can work."

"Teesside [the area including Middlesbrough] has a high unemployment level and a high level of violence. There was a real sense of disorder – this goes from dropping litter to fighting in the streets."

Det Supt Mallon's tactics of targeting repeat house burglars, confronting all offending, and talking tough brought down the crime rate. "It's a hard-bitten, hard-drinking macho environment. To an extent we have to meet force with force," said Mr Brunstrom.

The tactics have also brought criticism that civil liberties are being trampled on, for instance the use of CS spray has soared (about 700 times in the past year) and large numbers of people have been stopped and searched. There were also complaints that the police were merely clamping down on the small fry, leaving the organised criminals and drug barons alone.

Cleveland denies these allegations, pointing to a newly created squad to fight organised crime. As the number of crimes dropped in Middlesbrough, Ray Mallon's profile expanded. He was photographed with the then Home Secretary, Michael Howard, and with Mr Howard's successor, Jack Straw.

"Some people got jealous and got bitter," admits Mr Brunstrom, who continues to champion zero tolerance in Cleveland.

Then came Operation Lancet. In October two detectives were suspended for allegedly supplying drugs to criminals in exchange for confessions or information. Then 14 weeks ago Det Supt Mallon was suspended, accused of leaking information to the press and of "alleged activity which could be construed as criminal".

The allegations are understood to stem from claims made by a CID officer that Det Supt Mallon knew about the drug-bribery allegations, but tried to cover it up.

Very senior police officers outside Cleveland have also privately questioned whether it was possible for the head of the CID not to be aware of the allegations. "He should have known," said one.

Since his suspension, Ray Mallon, who has yet to be interviewed, has been keeping up his exercises, staying teetotal, and seeing more of his family. He has also continued to write a weekly column for the local newspaper.

Speaking from the snooker club in Middlesbrough, he is bursting with frustration, indignation, and pent-up energy. "My job is not on the line – I have nothing to fear. I have done nothing wrong and I'm certain I will be exonerated," he said.

He continued: "In any organisation if someone adopts a high profile they will make enemies. My enemies didn't like me getting my face on the television."

He added: "I look forward to coming back to work. I don't intend to retire early."

Weight fears risk girls' health

By Glenda Cooper
Social Affairs Correspondent

TEENAGE girls are putting their health at risk because they fear unnecessarily that they are overweight, according to a new survey.

More than six out of ten 14- to 15-year-old girls say that they would like to lose weight although only 15 per cent did actually weigh too much for their weight and height.

Boys of the same age had a more realistic attitude. Just over a quarter said they would like to lose weight; just under one in five were overweight.

Girls are skipping meals to try to lose weight and by the time they are 15 more than three out of ten girls are missing breakfast and one in seven is having no lunch.

The evidence comes from a survey carried out amongst school-age children by the Schools Health Education Unit.

"If concern about real or imagined excess weight led to participation in active pursuits this could be a beneficial spin-off," the survey says. "However, other data provided by the questionnaire survey show that girls tend to be even less physically active than boys."

When they do eat, girls make more of an effort to maintain a healthy diet.

The British Dietetic Association said the data raised serious concerns about the health of teenage girls. "From these figures, it would seem that girls skimping meals to lose weight is getting worse," said their spokeswoman, Lyndel Costain. Only a small percentage of girls developed severe eating disorders like bulimia and anorexia, she said – 1 per cent or 2 per cent, compared to the 60 per cent or 70 per cent who dieted.

"But there is a bigger group of girls who may nevertheless be putting their health at risk by skimping meals in this way," she added.

Cook fights a war of words at Har Homa

Raincheck: Israeli police surround Robin Cook (centre) as he is mobbed by right-wing protesters at Har Homa Photograph: AP

By Eric Silver
in Jerusalem

UNDAUNTED by the kind of driving rain that washes out test matches, Robin Cook came, saw and conquered – the Palestinians, if not exactly the Israelis.

The Foreign Secretary yesterday inspected Har Homa, the East Jerusalem hillside where Israel plans to build 6,000 Jewish homes on land won from the Arabs in 1967, and heard separate briefings from each side of a border checkpoint. Although he had agreed reluctantly to accept an Israeli escort, Mr Cook denied he had surrendered to Israeli pressure.

"The Israeli pressure," he said after an earlier meeting in Gaza with the Palestinian leader, Yasser Arafat, "was for me not to see the hill, and I am going there. I insisted on going. I am the first European foreign minister ever to visit that site. That is a statement which I think should be welcomed by all those who are concerned about progress in the peace process."

Mr Cook called for a halt to the expansion of Jewish settlements on the occupied West Bank. He also announced a £5m European training programme for the Palestinian security services and an extension of European Union aid for Palestinian economic development.

Mr Arafat commended Britain and the Europeans for "pushing forward and protecting the peace process against the obstacles facing it, especially the dishonest implementation of what had been agreed upon". His barb was clearly directed at the Israeli Prime Minister, Benjamin Netanyahu. According to Israeli press reports, Mr Arafat has rejected as pointless an invitation from Mr Netanyahu to meet secretly in an attempt to revive the talks, stalled since Israel announced the Har Homa project 12 months ago.

In anticipation of Mr Cook's arrival, the approach to Har Homa turned into an arena for a clash of slogans. "Peace now is a stab in the back!" bellowed the right. "Har Homa, the next disaster!" retorted the left.

"Ban the import of mad Cook disease," read one placard. The left appealed: "Robin, help us save the peace."

By making Har Homa the centrepiece of his brief Jerusalem visit, Mr Cook got the worst of both worlds. Israelis resented the focus on the future of Jerusalem, which is due to be resolved in final-status negotiations. Palestinians denounced what they saw as a British climbdown when the Foreign Secretary agreed to be guided to Har Homa by Danny Naveh, the Israel Cabinet Secretary, rather than Faisal Husseini, the senior Palestinian representative in the holy city. Before meeting the Foreign Secretary, Mr Naveh told reporters that his Jerusalem visit "might as well not have happened". Mr Netanyahu reiterated the inflexible position of all Israeli governments since the 1967 war: "Jerusalem remains and will remain the indisputable, indivisible capital of Israel."

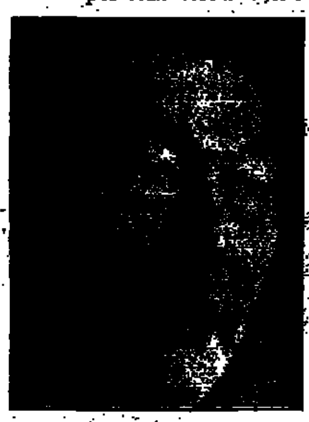
After Har Homa, Mr Cook accommodated Israeli sensitivities by meeting Mr Husseini and other Palestinian politicians in an East Jerusalem educational institution, rather than in Orient House, the Palestinians' unofficial foreign ministry.

Power makes China's sour chief smile

By Theresa Poole
in Peking

CHINA'S most miserable-looking politician cracked a rare grin yesterday after being voted the new prime minister, to repeated applause from parliament. But Zhu Rongji gave the impression of being a man with little time for the theatrical side of Chinese politics.

Mr Zhu had sat resolutely making notes as red electronic boards in the Great Hall of the People in Peking flashed up the 98-per-cent result: 2,890 votes in favour, 29 against and 31 abstentions. Loud clapping from the delegates elicited a quick bow before he returned to his writing. Only when President Jiang Zemin nudged him during a second bout of applause did Mr Zhu rise and put his hands together in a gesture of thanks. It took a vigorous handshake from the outgoing prime minister, Li Peng, to draw out that rare thing in Chinese politics – a beaming smile from Mr Zhu.



Zhu Rongji: Plans to slash bloated bureaucracy

For the first time this session, National People's Congress (NPC) delegates yesterday also showed they did not always do what was expected of them. The vote for the appointment of Han Zhubin as chief state prosecutor saw nearly 35 per cent of delegates voting against or abstaining. The protest vote probably indicated that, at a time when crime and corruption are rising, delegates felt Mr Han's previous position as minister of railways had not qualified him for the job.

Mr Zhu's election was a foregone conclusion. But it marks what many believe could be a new era in Chinese politics. At 69, he has let it be known he is a one-term prime minister, which means he will be less wary of making enemies by driving through his ambitious reform plans. The glummest man in Chinese politics is also set to be the busiest. Mr Zhu plans savage cuts in China's bloated bureaucracy and intends to overhaul loss-making state enterprises. Millions of state jobs will go during his five-year term.

China's annual meeting of the NPC closes tomorrow, and Mr Zhu is due that morning to give his first press conference as prime minister.

His appointment is supposed to herald a more open style, so there will be much interest in whether he breaks the habit of his predecessor and takes questions which have not been pre-scripted.

■ China's population, already the world's largest, will keep growing until it hits 1.6 billion in 2050, according to the state media, AP reports.

Officials said China will not change its family-planning policy restricting most urban families to one child. Many rural areas allow two children. At the end of 1997 the population of China, including Hong Kong, was 1.243 billion.

Boost to German left's poll hopes

GERMANY'S opposition Social Democrats (SPD) yesterday hailed a change of leadership in Germany's most populous state as a major boost for its campaign to oust Chancellor Helmut Kohl in elections.

SPD officials said the nomination of Wolfgang Clement, a pro-business pragmatist, to run North Rhine-Westphalia would strengthen the hand of Gerhard Schröder, the party's candidate for the chancellorship in the September elections.

Johannes Rau, the 67-year-old North Rhine-Westphalia's state premier, announced on Monday night he would step down in June and hand over the reins to Mr Clement, 57, his economics minister.

"This change of generation is good: It will give us new impetus," said Ingrid Matthaeus-Meier, the centre-left party's finance policy spokeswoman.

Mr Schröder and Mr Clement see themselves in the mould of Tony Blair – social democrats who embrace economic modernisation but do not forget social justice.

"Wolfgang Clement will be a big help to Gerhard Schröder in the election ... It's about creating a new country and they both stand for that," said Peter Struck, SPD parliamentary whip.

Mr Kohl's conservatives said the change was simply proof that the state's coalition government of SPD and ecologist Greens was in trouble.

The move represents a changing of the guard from Mr Rau, an SPD elder statesman, to Mr Clement, a pragmatist.

Mr Schröder hopes to achieve a similar change in political culture by leading the Social Democrats to victory over Mr Kohl in September. Commentators said the handover in North-Rhine Westphalia increased pressure on Mr Kohl to consider passing on the baton to his own crown prince, Wolfgang Schäuble. — *Reuters, Bonn*

Leading article, page 12

Tragedy of baby-snatch case shocks Russia

By Phil Reeves
in Moscow

SOME blame the absurdity of the past, an outdated and dangerous superstition. Others blame the folly of the present, the emergence in Russia of a "rat pack". But there is unanimous agreement on one point in this harsh, disorientated society: the case of Yegor, a four-week-old baby, should never be allowed to happen again.

The boy was stolen from his pram last week after his mother left him in the street next to the entrance of a Moscow gynaecology clinic, while she popped in to give flowers to a doctor. Few mothers in London, Paris or New York would take such a risk, but Irina Nisevich, 30, appears to have had her reasons, albeit misguided.

The doctor has told reporters she was observing a Russian superstition in which a baby should not be shown to strangers until he or she is 40 days old. The belief has its roots in the fear of the "evil eye". Yegor had only reached Day 23. It probably did not occur to her that her baby might be at risk: baby-snatching is rare in Russia, where babies are treated with huge consideration.

Police say only one other baby has been abducted in the Moscow area in the last three decades. In Soviet times, clusters of prams were a common sight outside shops or clinics. Even now, when small children get lost, the search becomes a matter of communal concern. It is hardly surprising, then, that Yegor's case immediately became a *cause célèbre* among the Russian media.

Three days after her baby's disappearance, a distraught Mrs Nisevich leapt to her death from the window of her eighth-storey apartment. Her exhausted husband, Dmitri, was asleep. Unlike child-snatching, suicide is alarmingly common in Russia. The government's State Committee on Statistics says there were an estimated 54,900 in Russia last year – a staggering 150 a day – a figure up sharply from the 39,200 in 1990. Psychologists blame economic instability, a fall in the standard of living, growing unemployment, alcohol and drug abuse.

But Mrs Nisevich's case falls into a separate category. By the time of her death, she had endured three days of intense press interest, of unending telephone calls, questions and interviews. Some say the press frenzy – a relatively new phenomenon in Russia – helped drive her to suicide.

"It was not only the fact that journalists were at her door with questions," said sub-colonel Vladimir Zubkov of the interior ministry in Moscow. "It was also what they were writing in their reports – saying the baby had been kidnapped to have his organs transplanted."

To his voice has been added that of Sergei Topol, a reporter from the newspaper *Kommersant Daily* who covered the story. He told the *Moscow Times* he too, believes media pressure could have played a part. Such was the strength of his feelings over the issue that he declined to interview Mrs Nisevich: "There are some moral barriers that should never be crossed."

Russians have not forgotten the allegations made against the Western paparazzi after the death of Diana, Princess of Wales. Although the evidence in this case is arguable – Mrs Nisevich was said to be unable to forgive herself for the loss of Yegor – a debate over media ethics is looming.

Almost as shocking as the tragedy itself are the theories about the abduction of Yegor, who has yet to be found, despite a search of airports and railway stations. Russian newspapers say he may have been stolen by beggars, who use children as props on the street to induce pity. He may also, they say, have been taken by professional criminals intent on selling him to an illegal adoption racket.

In this society, with its deep love of children, that is about as sick as you can get.

Russian ultra-right nationalists protest outside the Latvian embassy in Moscow yesterday after a march in Riga by over 500 veterans of Latvia's Nazi Waffen-SS legion Photograph: Reuters

Yeltsin returns to the sick list

Yeltsin: History of ill-health

ON THE advice of his doctors - and also, it seems, a world-famous cellist - President Boris Yeltsin has cancelled his engagements for the week to recover from his third bout of illness in a year, **writes Phil Reeves.**

Doctors yesterday told him to remain in his residence outside Moscow, where he is being treated for a "heavy cold and bad cough which could lead to complications", an aide said. The President's illnesses invariably attract headlines worldwide, largely because of the suspicion the Kremlin is covering up a more serious condition, as it used to in Soviet times.

By yesterday afternoon, unlike the case with previous illnesses, no television pictures of the President had been released. To counter this, his press service provided relatively detailed accounts of his ailment, issuing a statement saying the doctors felt he should cancel engagements "to avoid complications to the bronchial tubes and lungs". Yeltsin-watchers search for signs that his heart is playing up, that he is drinking again, or has had a stroke. However, other factors could also be in play. Mr Yeltsin, 67, has long had a habit of disappearing, ill and depressed, usually, after a flurry of activity. He has also recently shown signs of being confused. This time, Rostropovich, the cellist and conductor, has claimed credit for persuading him to stay at home convalescing. Rostropovich visited Mr Yeltsin on Sunday and said he had "absolutely no worries" about the President's health. "There was no end to our delight when we saw him robust and braced-up."

PM leads Armenia election

ARMENIA'S prime minister took a solid lead as early presidential election returns were counted yesterday, but he still appears to be heading for a run-off ballot with the country's former Communist Party boss.

With 35 per cent of the vote counted, Robert Kocharian had 38 per cent, ahead of the former Communist Party leader Karen Demirchian with 27 per cent. Turnout in Monday's national election was high, with Armenian voters in a restless mood over the economy's decline.

The Communist Party's official candidate, Sergei Badalian, had 17 per cent of the vote. As none of the candidates was likely to get an outright majority, a run-off between the top two is likely on 30 March.

The results are likely to be contested. Seven of the 12 candidates were alleging fraud – the same accusation Armenians made against their former president, Levon Ter-Petrosian, whose resignation last month opened the way for Monday's vote. — *AP, Yerevan*

Chiluba lifts state of emergency in Zambia

Zambian President Frederick Chiluba yesterday lifted the state of emergency imposed after a failed coup by junior army officers last October. More than 90 people were arrested in connection with the attempt, including former president Kenneth Kaunda who ruled Zambia for 27 years until multi-party elections in 1991. — *Reuters, Lusaka*

US pledge to Macedonia

The US told Macedonia it will not allow a security vacuum to develop in the former Yugoslav republic when the UN peace-keepers mandate runs out in August. Deputy Secretary of State Strobe Talbott told government leaders the 300 US peace troops in Macedonia, which borders Serbia's restive Kosovo province, "understand they are on the front lines of the cause of peace". — *Reuters, Skopje*

Post for Suharto daughter

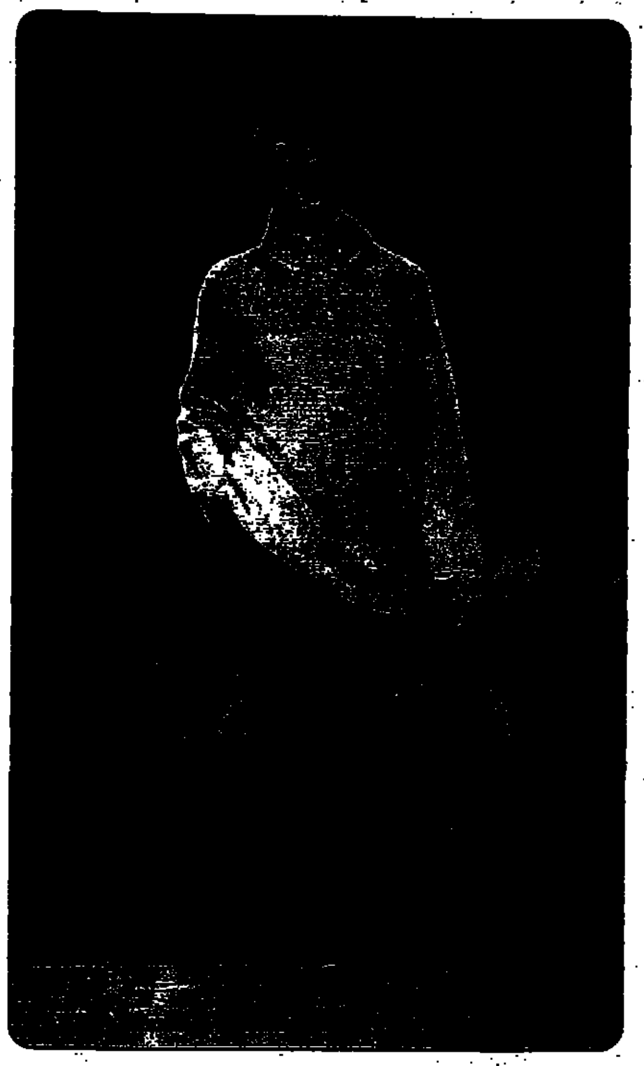
President Suharto's eldest daughter said her father had made her a Cabinet minister to help Indonesia overcome its economic crisis. Siti Hardiyanti Rukmana, known as Tutut, said she was ready to face all kinds of insults over her appointment as social affairs minister. Tutut, 49, denied that her father would eventually hand the presidency to her. *AP, Jakarta*

Monk stole religious icons

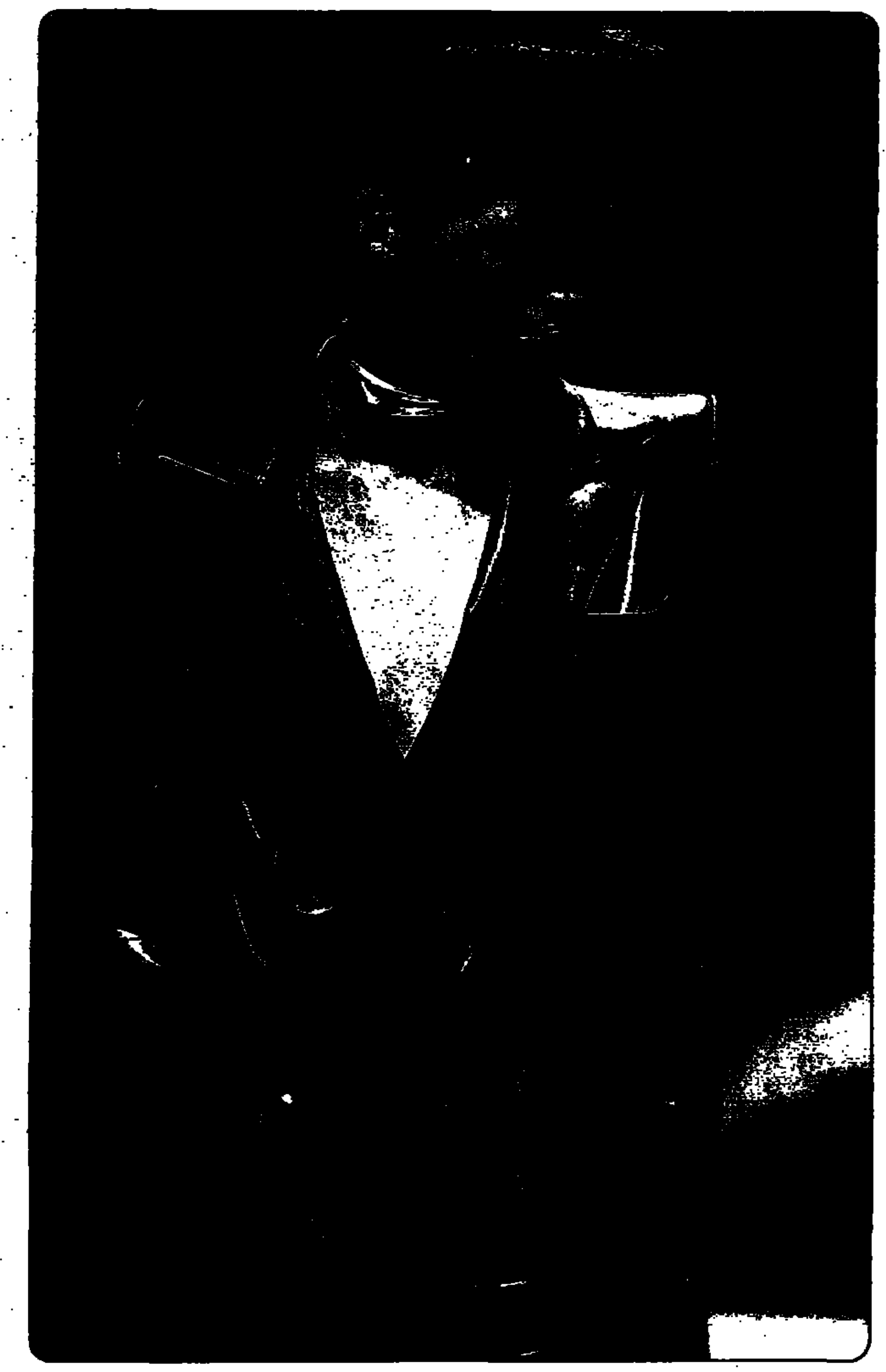
A court in Salonika has sentenced a monk to three years and one month in prison for stealing icons and religious artifacts from Orthodox monasteries and hermits' huts on Mt Athos in northern Greece. Andreas Papaminas stole the items to sell them, the court was told. — *AP, Salonica*

PARIS '98

The supremacy of French designers is no more. The Japanese, Belgians and British are setting the trends. **Tamsin Blanchard** reports from the Autumn/Winter collections



Understated and relaxed luxury by Martin Margiela for Hermes (above), Dries van Noten (below)



Super-slick, hard-edged tailoring by Alexander McQueen for Givenchy

Abstract layering by Comme des Garcons (above) John Galliano (below) revisits the opulence of the Thirties, again

PHOTOGRAPHS BY BEN ELWES

WHEN Giorgio Armani tried to show his Emporio Armani collection at the Autumn/Winter '98 shows in Paris last week, his efforts were scuppered by the French authorities who said he had not made the correct security arrangements. Rumour abounded that this was a plot to prevent a powerful Italian showing his collection on French soil. And perhaps Paris is right to be defensive about who shows there – French designers might once have been at the centre of the fashion universe, but not any more.

Last week, foreign designers dominated the Paris shows. This is the culmination of years of overseas influence, beginning with the Japanese, who moved in during the Seventies, when Kenzo, Issey Miyake and Comme des Garçons first moved their shows to the French capital. Then came the Belgians, who have been so influential since the late Eighties; the British, who are in the seats of power at Dior, Givenchy and Chloe; and now the Americans, who have taken control of the commercial backbone of Paris at Louis Vuitton, Celine and French-controlled Spanish company Loewe.

Most of the next generation of new designers are Belgian, from the Antwerp School – Veronique Branquinho and Olivier Theyskens are hot new names who show great promise – and Jeremy Scott, Isabella Blow's latest protégé, is American. French fashion's only real hope lies with Jerome Dreyfuss and his partner Gaspard Yurkievich.

Fashion needs designers who push forward, bringing new ideas and new ways of thinking. Rei Kawakubo of Comme des Garçons is one such designer who refuses to compromise her vision, however difficult it might appear at the time. For next autumn, the theme of Kawakubo's collection is "fusion". Her designs includes pieces so abstract that you would need a lesson on how to put them on, with disparate pattern pieces apparently sewn up in the wrong order. Then there are coats and dresses that had been turned inside out to make a feature of the linings and inner workings of the garments. However unusual, these clothes are pure and beautiful.

It is difficult to identify Kawakubo's references or sources of inspiration, but there is something of Martin Margiela in this collection, the Belgian designer who showed his debut collection for French luxury leather company Hermès in Paris. Margiela's appointment shocked the industry: he has managed to remain underground since appearing on the fashion scene in the late Eighties, showing in car parks or Red Cross depots. But his collection for Hermès was superlative, touching the perfect note for both the fashion house and its customers, nudging the label along a little, without inflicting his particular look on the house. This is the mark of a true designer with real integrity, not a deluded egomaniac.

Margiela's Hermès is the height of understated luxury: hand-knitted jumpers in chunky cashmere; masculine tailoring which is relaxed, slouchy and totally desirable; coat linings worn as lightweight "anti-pluies"; comfortable tunics; and worn-in Kelly bags which had obviously been well-used and well-loved. Typically, Margiela's own collection, shown at La Defense close to midnight, was displayed on life-size puppets in a venue so crowded and chaotic that it was hard to get a glimpse of the clothes.

Margiela belongs to the first generation of Belgian designers to infiltrate Paris – the so-called Antwerp Six, which included Ann Demeulemeester, Dirk Bikkembergs and Dries Van Noten. Within a decade, Dries Van Noten has quietly built up quite an empire as well as a loyal following among women who want to wear rich and exotic clothes that they feel comfortable and confident in.

He surpassed himself in Paris last week, blending his north African Saharan layered look with a touch of Hungarian gypsy. Etched leather riding boots were worn with layers of floral dresses, wrapped knits, bolero jackets, embroidered coats, sheepskin shrugs and sequinned skirts. Best of all were the finishing touches, such as the long thin scarves with panels of shiny metallic knit. Here was the ultimate fusion of good design, sumptuous surface decoration and romance – real, wearable clothes of which buyers cannot get enough.

Of the rest, British designer Alexander McQueen excelled at Givenchy with *Bladerunner* styling and superbly tailored suits that keep in tune with the house and its customers, both new and old. These are clothes that will stand the test of time – as should clothes involving this much workmanship and expense.

Galliano, too, proved himself to be a master showman, creating a Weimar Republic tent in the middle of nowhere, with prostitutes draped over a central pianola like a scene from an Otto Dix painting, while bubbles and money showered down from the roof. However, his talents as a designer remain singularly focused on the pre-war years (be it the First or Second World War, he doesn't really mind). The production was fabulous – he can create another world with incredible imagination and finesse – the clothes, however, look like they are stuck in the fancy-dress cupboard of his mind.

But the real master was Yves Saint Laurent, the man who started it all when he took student fashion and made it haute in the Sixties. After 30 years as a designer, he proved his talent remains unsurpassed, with a classic collection including a sequinned sheath with chiffon over a dress, bright wool capes and the jumpsuit that has become a signature of Alexander McQueen.

Everyone wants to get their hands on the Lady

The bag favoured by Diana is this year's favourite accessory. **Tamsin Blanchard** reports

AS you walk down Milan's equivalent of Oxford Street, you are seduced by vendors selling rip-off bags. Prada handbags – complete with the authentic looking Prada print linings – are all over the place, a snip at around £15. This year a new name joined the ranks; a lookalike Dior. The Lady Dior to be precise, a little quilted bag with letters D-I-O-R jangling like charms on a bracelet from the handle. In the Dior boutiques around the world, the price of the bag starts at £550 for the smallest size in satin. The same in crocodile will set you back 10 times that amount. In London, the bags are simply sold out. The sort of women who buy them shop around between London, Paris and New York like most of us shop around between Oxford Street and Covent Garden, so if they can't find their Lady Dior in London they will simply buy it in Paris or wherever they are jetting to that week.

In bag terms, there is no better endorsement than to have an association with a style icon. The Hermes Kelly bag – for which there is always a waiting list – is famous because of Grace Kelly. It has become an all-time classic. And so too, will the Lady Dior - introduced in 1996. It is after all, the bag made famous by Diana, Princess of Wales, and plays on the name which the French and other continental Europeans continued to call her after her marriage and after her divorce – Lady Di.

It's a sell-out: Diana with her favourite Lady Dior (left) and a larger post-divorce bag

The first Lady Dior bag was presented to Diana by the French President's wife, Bernardette Chirac, while on a visit to Paris, and became one of the most photographed bags in history after Diana took it to the Costume Institute at the Metropolitan Museum's annual gala evening held to honour the opening of the *Fifty Years of Dior* retrospective in New York. She wore the first dress by John Galliano for the house of Dior – and of course carried the bag.

As Diana's independence grew and she lost her HRH after the divorce, she also lost the privilege of ladies-in-waiting. Instead of having human carriers to cart around her make-up and notes, she had to rely on handbags. Out went the tiny clutchbags, which used to hold little more than a handkerchief. In came more businesslike handbags – and briefcases too. The more independent she got, the bigger the bag became, whether by Versace, Dior, Hermes or Chanel. Fashion houses would send her bags as presents, desperately hoping that she would adopt their bag as a favourite. But it is the Lady Dior bag that will always remain connected to Diana – and will be one of fashion's lasting tributes to one of the most influential style icons of the modern age.

Death becomes her

On television, women in the foul-play trade are as cold as the corpses. The truth is different, real females tell **Emma Cook**

Dr Helen Whitwell, above, is irritated with the portrayal of the pathologist in the series starring Amanda Burton, below — Mike Scott/Newsteam

TAKE one hard-bitten female forensic – preferably single – a gruesome corpse in need of a post-mortem, an unsolved crime and there's no reason why you shouldn't have a best-selling thriller or BBC drama series on your hands – maybe a Hollywood script if you're lucky. And to really guarantee a hefty stake in the ratings, make sure your heroine can conduct a post-mortem in a manner that suggests a heart coated with steel.

Forensic pathologist Dr Sam Ryan, aka Amanda Burton of the BBC drama *Silent Witness*, certainly can. "Considerable putrefaction, as might be expected after three years in wet, peaty soil," she murmurs in one episode, looking at the remains of the corpse with the sort of distaste you'd spare for some mouldy old veg at the back of the fridge.

Ryan joins a lineage of forensic-friendly heroines. The blueprint was Jodie Foster's hard-as-nails FBI investigator in *Silence Of The Lambs* and there have also been Helen Mirren's detective inspector Jane Tennison in *Prime Suspect* and Patricia Cornwell's novels featuring hard-boiled Dr Kay Scarpetta. Then there is *Mortimer's Law*, featuring a female coroner and another television drama in production starring Pauline Quirke as a police inspector.

So what is it with females and bodies? In a medical sphere at least, a woman's place has typically been in the maternity wards, bringing new life into the world rather than examining the recently departed. In this sense, our appetite for these sort of characters seems like a healthy departure. These women are tough, independent, forceful and intelligent. In the switch from nurturing new lives to probing dead ones they have, in dramatic terms, accessed new creative territory.

Yet the genre may well create a new set of clichés; that women who work in crime are dispassionate, cold creatures who've paid the price for an absorbing career with a rather miserable personal life.

Certainly this is one stereotype Dr Helen Whitwell, a forensic pathologist working at Queen Elizabeth Hospital in Birmingham, finds irritating. She advised the author of *Silent Witness* on certain details and says that although the programme is factually correct, the dramatic portrayal of Dr Ryan is less representative. "I don't think the programme applies to me," says Whitwell, in her small office where every surface is scattered with papers of cases she is working on. "All the forensic pathologists I know are sociable and outgoing. They're not miserable characters. I don't know why they depict women like that. Perhaps they think there is a price to pay for the horrific things we see but that's a drama series for you."

One of around six female forensic pathologists working in Britain, Whitwell, 43, studied histopathology at Manchester for seven years and came to Birmingham in 1986 to work in neuropathology – specialising with brains. Her involvement with head injuries led to an interest in forensic work although much of her day-to-day work is examining brain specimens. Despite the sometimes gruesome nature of her work, she seems determinedly resilient. Has she ever found her work disturbing? "I can see what would happen if you dwelled on it. But you can't do that. It's better not to," she says briskly.

About once a fortnight she is called out to look at a body, carry out a post-mortem, estimate the time of death, and assess the injuries and their causes. Then she will have to present her findings at an inquest or Crown Court. Perhaps the most unrealistic aspect of *Silent Witness* is, she says, Ryan's involvement with every aspect of a case. That just doesn't happen. "In real life we don't go and visit prisoners or get involved in the investigation side."

Anne Pember, 49, one of about six female coroners in the country, agrees with Whitwell that her role is much more specific than any television drama would suggest. Pember, who used to work as a solicitor in a magistrate's court, says, "In *Mortimer's Law* they portray the coroner as a detective as well which is totally unrealistic." As coroner for Northamptonshire, Pember has to assess the evidence provided by the police and the pathologist, hold an inquest and on the strength of their information offer a verdict. "It can be very sad at times," Pember reflects. "Especially if the death is untimely. The inquest is really the conclusion that enables people to get on with the bereavement process."

'Pathologists are sociable and outgoing, not miserable. I don't know why they depict women like that. Perhaps they think it's the price for the horrific things they see'

In contrast to Whitwell, and to a lesser extent Pember, Raina Patel, 36, a forensic physician and GP based in Stockport, is far more forthright about the emotional effects of working in a forensic capacity. She can still remember vividly her first murder victim. "I saw somebody who'd been shot and he was a great villain. My first thought was how can somebody actually do this to somebody else. His brains had been blown out and were all over the place – it just wasn't pleasant. It made me realise how awful human beings can be to one another."

Although much of her time is spent dealing with victims of sexual abuse and rape, she is called to certify death about once every two months. She also advises police on whether the circumstances seem accidental.

Like Whitwell, she feels that working with the living can be more stressful than examining the dead. "People often say, 'Gosh that must be an awful job' and I guess it is in the eyes of the public. But what's worse for me is knowing patients in my general practice who die. If I see a one-off case it doesn't have the same devastating effect."

Dr Patel, in contrast to her fictional imitators, is decidedly warm and cheerful about her work – nor is she unhealthily preoccupied by her cases, another feature that has come to define this female genre. Interestingly, Patel feels the male medics probably tend to get more involved. "Women in this work are better at coming away and talking about it. It's the men, maybe, who are more likely to take it very seriously."

From an outsider's perspective it is hard to comprehend how these professionals can maintain distance and objectivity after some of the horror that they witness. But Patel explains: "It's not usually the violence of the crimes that's so upsetting. It's the circumstances of how they live and what a lack of support they've had." She describes one case where a father hanged himself soon after discovering his benefits had been stopped. "It wasn't anybody's fault but what a sad waste of life that was. Yet it's his wife who has got to go on living with it. It sounds awful but the dead are dead so the real sadness is with those who are left behind."

'Silent Witness' returns to BBC1 at 9.35pm tomorrow.

A generation gap that can't be bridged

ROSAMUND MOSELEY, 37, was an exceptionally gifted nurse, a doctor's wife and mother-of-two. This week she was struck off the nursing register after she had sex with a 16-year-old disturbed pupil with learning difficulties.

In the United States, teacher Mary Kay LeTourneau, 36, who was jailed for having an affair with a 13-year-old and having his child, is pregnant again. LeTourneau broke the terms of her release from prison within weeks. She is now back inside.

Why do they do it? What is the appeal in someone young enough to be their own son? While most people, bar paedophiles, would be horrified at the thought of a 36-year-old man seducing a 13-year-old girl, how could a professional woman believe it acceptable behaviour to bed a youngster?

For a woman with a young boy, power and the attraction of recapturing their youth may be the key. "Perhaps a woman who can't make or hasn't had successful relationships with older men might be attracted to a younger person because of being more in control," says Julia Cole, a counsellor with Relate. But that is where the danger lies. "Whether the young person is mature for their age or not, they will probably look up to an adult." Sleeping with them is taking advantage.

Professor Dr Petruska Clarkson, a consultant psychologist, stresses that any relationship between an adult and an under-age child must be considered abuse. "The differential in terms of power, reward and fear of punishment is completely unequal," she says. These relationships are completely different from an older woman finding a younger man as a partner – and they can cause long-term problems. The professor believes a child's eventual capacity for intimacy and sexuality is nearly always damaged by such a relationship.

In the case of Rosamund Moseley, the disciplinary hearing was told she was "unhappy and very depressed" at the time when she "crossed the line". Prof Clarkson says that is typical. When someone is ill or stressed or feels unloved and lonely, it may break down the normal social boundaries.

And although it might be a teenage fantasy to be "broken in" by an older woman, even where boys appear willing, the experts say the relationship cannot be defended. Sean Kinsella, who ran off to America at the age of 13 with Tracey Whalin, the 33-year-old mother of his best friend, insisted it was his idea. But as Annie Mullins, of the charity NCH Action for Children, points out: "We've got the law of the land as our guideline, it's there for a reason. It says that sex with young people under 16 is illegal."

"A nurse or teacher in that situation is abusing their position of authority, even if the young person is over 16," says a spokeswoman for the National Union of Teachers. "You're slightly glamorous because you're the teacher and you *must* exercise control."

If a woman told Relate she was seeing a 14-year-old. They would have to contact social services or the police. "If someone is breaking the law, we don't have a priestly confessional," says Julia Cole. "We would have to take action."

Louise Jury

Back when women were doing it for themselves

Restoration comedy is not just about screeching fops, writes **Paul Taylor**, at its sharpest it can be as incisive as any contemporary play about the fairer sex's role in society

Striking back: Carolin Quentin in *London Cuckolds*

SITTING in an audience full of whooping women at the recent premiere of *Girls' Night Out*, I found my mind wandering away from the world of male strippers, posing pouches and hen parties to a wonderful little scene in Vanbrugh's *The Provoked Wife*, a late Restoration comedy memorably revived last year by the Peter Hall Company at the Old Vic.

In the episode in question, two bright young women, exchanging giggling intimacies within the privacy of the boudoir, discuss the topic of men's double standards over female modesty. For example, should a woman laugh on hearing a dirty joke in a stage play? To do so, they agree, is to risk being compromised for having (a) a filthy mind or (b) one so dim that it cannot even perceive the impropriety.

For a female to refrain from laughing, by contrast, is almost certain proof that she has understood the gag – which, of course, allows men to convict her of affected demureness. "For my part, I always take that occasion to blow my nose," declares one of the young women, to which the other counters, "You must blow your nose half off then at some plays..."

No need for any strategic hanky work at *Girls' Night Out*. Although dire in most artistic respects, it is a refreshing demonstration of how women have turned the spirit of lewd-mindedness and erotic voyeurism inside out (injected with the boisterous humour so often missing when the genders are reversed, male strip shows degrade neither the viewer nor the performers) and re-established them on terms that are not a mere sordid aping of the traditional privileges of men.

Damned if they laugh and damned if they don't. Vanbrugh's Restoration women are in a no-win situation. Their protocol problem at the theatre is but one shrewdly and empathetically selected instance of a world where, the dramatist makes plain, room for female manoeuvre is tight.

With divorce a rare, difficult and expensive business, obtained only via a private bill in Parliament, and with legal separation biased to the male and allowing neither party to rewed, marriage for a woman could, as for the play's title character, be a life sentence as the despised property of a promiscuous syphilitic sot whose idea of loyalty is to brag to his friends: "I never drank my wife's health in my life, but I puked in the glass."

Still almost exclusively associated in the popular mind with flattering fans, screeching fops, pouting bosoms and folk crying "La!" and "Stap me vitals!", Restoration comedy at its sharpest, can offer as merciless a dissection of marital hell as a Strindberg or an Albee.

Just open at the National Theatre is Edward Ravenscroft's *London Cuckolds*, an enormously successful comedy back in 1681, adapted now and directed by the playwright Terry Johnson.

Johnson's own hit comedy, *Dead Funny*, ripped the lid off a putrefying marriage, with Zoe Wanamaker's blistering Eleanor, unquietly going out of her mind in her desperation to have a baby, pitted against her husband and his circle of sad anoraks called The Dead Funny Society, which meets regularly to perform trainspotter-style re-enactments of the routines of their favourite deceased comics. Eleanor uses her scathing wit to confront problems: the second-hand schoolboy jokes and innocent music-hall smut which her spouse and his male chums assiduously parrot is their means of indefinitely postponing having to look at the pain under their noses.

Talking to Johnson, I wondered aloud whether Eleanor, withering about the English male's sense of humour, would be willing to crack a smile at *London Cuckolds*. He beats me to the observation that, in terms of plotting and the sophistication of its sexual politics, Ravenscroft's play is more Ray Cooney than Alan Ayckbourn.

In Vanbrugh's *The Provoked Wife*, the title character, who only marries for money, argues that you cannot reasonably blame men for judging women by their own unlovely lights: "We are as wicked... but our vice lies another way [backbiting, cheating at cards, telling lies, etc]. Men have more courage than we, so they commit more bold, impudent sins." Indeed, the play shows how a combination of social circumstance and something coyly nervous in her own nature whisks this woman from the brink of attractive adultery and back into the loveless bargain of her marriage.

London Cuckolds, by contrast, exemplifies an earlier vogue in the theatre for plays where the female sex strikes back. The new National production stars Caroline Quentin of *Men Behaving Badly* fame. Women Behaving Badly would be an ideal sub-title for *London Cuckolds*. Johnson points out a feature of the period that had never hit him till he started work on this piece. For a respectable woman, sex before marriage was virtually inconceivable: she needed to be married, paradoxically, before she could sew her wild oats.

The middle-class aldermanic husbands in *London Cuckolds* certainly constitute no great temptation to remain on the straight and narrow. One, in the manner of the control-freak anti-hero of Moliere's *School For Wives*, has reared his prospective spouse from the age of four in close rural seclusion, like some prize pig of compliant naïvety, failing to see that while you can keep a girl ignorant, you cannot necessarily keep her stupid.

The men have knotty debates on which kind of woman is most likely to outwit her partner: "A wife that has wit will outwit her husband, and she that has no wit will be outwitted by those who wish to outwit him."

The women, meanwhile, just get on with the outwitting. Enjoined by her departing husband to reply in the negative to any impertinent male interest while he is away, Caroline Quentin's character twists this to her advantage, keeping to the letter of the instruction, but so arranging a conversation with a desirable young gentleman that it becomes a formidable case of an occasion when "No" really does mean yes.

London Cuckolds is broad, morally pretty untroubled and, within its own terms, very amusing. You could imagine the Eleanor of *Dead Funny* jibbing slightly, though, at the notion that the best a woman can do is sink to a man's standards and beat him at his own game.

Indeed, as Max Stafford-Clark's excellent RSC production of Thomas Southerne's searching proto-feminist 1691 play *The Wives' Excuse* recently demonstrated, there was a backlash in the more sober following decade, when the implication that women were somehow programmed to retaliate with adultery, progressing like wind-up toys into another man's bed, came to be questioned.

Everyone assumes that the heroine of this play will avenge her vicious philandering ninny of a husband in kind. In fact, the drama shows her seeing through the superficial attractions of the various all-too-willing (and unreliable) candidate-replacements and finally opting, with unpriggish wit and acumen, for the straitened self-respect of a lonely legal separation. Definitely more Ayckbourn than Cooney.

Vanbrugh's women, debating whether to laugh at a theatrical dirty joke, also came to mind at the Stratford premiere of *The Wives' Excuse*. In a comically sordid touch at the start, a frowsty rake was seen rising from his rumpled bed the morning after the night before. Lurching for a restorative breakfast glass of wine, he paused, frowned and plucked something from his teeth.

Only some people got the joke. It is a measure of how far we've come that the laughter at this point was not divided along gender lines but according to how conversant each individual was with the practice that President Clinton apparently believes cannot constitute adultery.

'London Cuckolds' is at the National Theatre (0171 928 2252). 'Girls' Night Out' is at the Victoria Palace Theatre (0171 834 1317).

Ronald Johnson

IN 1973, Guy Davenport wrote:

Our greatest living poet [in the United States] is usually a man as unknown to the professariat as to the corps of reviewers and the deaf custodians of the laurels. It was true of Whitman in 1873, and is true of Zukofsky in 1973.

Louis Zukofsky (1904-1978) is still not yet canonised and demanded as the Sunday joint at the Muses' dinner table. But, those who read beyond the Ivy League Men About Town and the Cornbelt Metaphysicals are aware of his extraordinary skills and his ear for his second language, English. His first was the Yiddish of the slums of the Lower East Side of New York City early in the century.

The poet who replaced Zukofsky in Professor Davenport's American pantheon was Ronald Johnson. The professariat will, again, be absolutely in the dark. And few in Britain will know him either, though he spent years in England in the 1960s and wrote one of the best "English" poems of the time, *The Book of the Green Man*, published by Longmans in 1967.

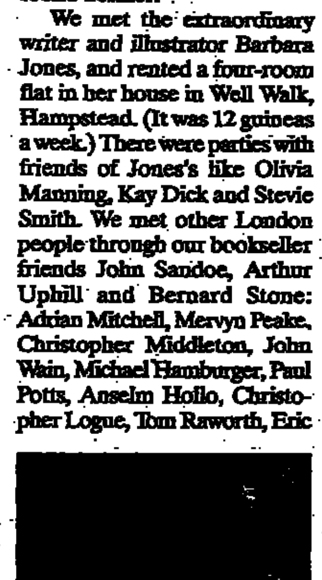
Ronald Johnson was born in 1935, in the small, ordinary, artless town of Ashland, in southwestern Kansas. Some of the names of places in that part of the prairie make them more exotic than is the truth: Buttermilk, Bloom, Protection, Acres, Moscow, Ulysses, Liberal, Kismet. Kismet, Kansas – it's hard to beat. His father managed a lumber yard, as his father had before him. The family moved to Topeka, the state capital. He spent a couple of years at the University of Kansas and concentrated on English courses. He did two years of national service in the army, in Georgia, Arizona and California.

I met Ronald Johnson in Washington DC at the beginning of 1958. I was using the proceeds of a Guggenheim Foundation grant to read in the Library of Congress for six months, and to publish two early Jargon Society books: *Letters*, by Robert Duncan, and *Overland to the Islands*, by Denise Levertov. One evening I went with the literary critic Marius Bewley to visit a pianist friend who lived in the house of Mrs King-Smith, a notable hostess of the time. Another roomer in the house was Johnson. He was handsome, red-haired, feisty, ebullient, and clearly very bright. The friendship was immediate, though he was not at all sure that the new book of Denise Levertov I was clutching and showing off contained "real poems".

We joined forces. And I became a mentor, just enough older for that relationship to work. We moved to New York and I worked at the famous 8th Street Bookshop in Greenwich Village, while he completed a BA degree at Columbia College. We spent a lot of time at the Cedar Bar on University Place with friends like Joel Oppenheimer, Franz Kline, Dan Rice, Fielding Dawson, Gilbert Sorrentino, Esteban Vicente, many of whom I'd known from my earlier days at Black Mountain College. And we visited non-bar-type writers like William Carlos Williams, Louis Zukofsky and Edward Dahlberg.

I've always liked to play cicerone and to plan itineraries and rambles. In the summer of 1961, Johnson and I hiked the Appalachian Trail from Springer Mountain, Georgia, to the Hudson River in New York, some 1,447 miles. Perfect training for poets: learning to attend the names of birds and plants and stars and trees and stones. The summer of 1962 I was a writer-in-residence at the Aspen Institute for Humanistic Studies in Colorado; and Johnson had his first culinary job, at the Copper Kettle Restaurant. In the autumn of 1962 we headed for England and walked five weeks in the Lake District. On the Sunday of the weekend of the Cuban missile crisis the poets spent the day trying to locate the graves of Beatrix Potter in Near Sawrey and Kurt Schwitters in Ambleside – and found neither.

We met the extraordinary writer and illustrator Barbara Jones, and rented a four-room flat in her house in Well Walk, Hampstead. (It was 12 guineas a week.) There were parties with friends of Jones's like Olivia Manning, Kay Dick and Stevie Smith. We met other London people through our bookseller friends John Sandoe, Arthur Uphill and Bernard Stone: Adrian Mitchell, Mervyn Peake, Christopher Middleton, John Wain, Michael Hamburger, Paul Potts, Anselm Hollo, Christopher Logue, Tom Raworth, Eric Mottram, Rayner Heppenstall, John Heath-Stubbs, R.B. Kitaj, Tom Phillips, Adrian Berg, Andrew Young, Jocelyn Brooke.


Johnson: all things strange

Jones's pioneering book *Follies and Grottoes* (1953) led us all over England and beyond. We went up to Ardgay in Easter Ross in the north of Scotland to meet Ian Hamilton Finlay. We saw Hugh MacDiarmid in Langholm and Biggar. We saw Basil Bunting up the Tyne above Newcastle at Wylam. And Herbert Read at Stonegrave House in the hills north of York. We went to Broad Town under the Wiltshire downs to see Geoffrey and Jane Grigson. Geoffrey took us to Faringdon for Lord Berners's folly tower, to Buscot for Burne-Jones's *Briar-Rose* paintings. Jane fixed Welsh girdle cakes for breakfast, the first we had ever tasted. We visited the graves of Blake and Palmer, Stanley Spencer and Walter Sickert, Delius and William Morris. We were looking for all things, as Johnson said, "most rich, most glittering, most strange".

In 1967 I was back at the Aspen Institute as a scholar-in-residence. Johnson worked again at the Copper Kettle. Things were about to change. Our companionship of nearly a decade was always much more peripatetic than restricted and passionate. Roving legs meant roving eyes. When Johnson realised I was tired of living in cities, he packed his bags one day and got a ride to San Francisco with some mysterious amoroso. He was 32 years old and wanted more space between himself and the perils of rustic living and Kansas, the Sunflower State.

He led a hand-to-mouth existence in San Francisco for about 25 years and we saw each other very rarely. He would report that he was bartending in a club for bikers and leather boys; or, that he had established a little catering business. He published a few poetry books and four excellent cookbooks: *New and Old Southwestern Cooking* (1985), *The American Table* (1984), *Simple Fare* (1989), *Company Fare* (1991). *The American Table* is a classic work, right up there with M.F.K. Fisher at her best.

Occasionally he would get a semester's teaching job: at the University of Kentucky in 1971; at the University of Washington in 1973; at Stanford University in 1991; and at the University of California, Berkeley, in 1994. Now and then he would be helped financially by stalwarts like Donald B. Anderson, Dorothy Neal, James Laughlin, Gus Blaisdell and Guy Davenport.

For over 20 years Ronald Johnson composed and fitted together an architectonic poem in 99 sections called *Ark* (an edition appeared in 1996). It is in the traditions of Ezra Pound, Charles Olson, Louis Zukofsky and Robert Duncan. It is a formidable achievement and it will require readers not easily daunted, who have untrammelled imaginations. Thom Gunn and Robert Creeley are two of *Ark*'s champions. They both point out that this is an aesthetic work, not a didactic one, and there is much pleasure to be gained. William Blake is there; the Land of Oz is there; the Bible is there; Simon Rodia's Watts Towers are there.

Of *The Book of the Green Man* Christopher Middleton, who instigated its publication, wrote:

This is the work of a young poet from Kansas who spent a year in England during 1962-63. It is a remarkable piece of work. The surprise is this; he presents an image of England, or, to be precise, of sundry English scenes, with a vividness and strangeness beyond the reach of any English poet, and unknown, I venture to say, since the days of Blake, Calvert and Palmer. Ronald Johnson has unearthed an England which most people have forgotten.

Here is part of the ecstatic reverie (at Samuel Palmer's Shoreham) with which *The Book of the Green Man* concludes:

I walked up to the CLOUD

& peal after peal
rang out of earth.

First, stones
underfoot
in a sound like muffled

sheep-bells.
Then the roots of the trees

clanged:
rooks, rooks, blackbirds. Cuckoos awoke
in the tubers

– earth-worm & mole & turtle –

all danced to the thunder,
the peal & thunder.

A bellow & clamor
came out
of the hills:

in diapason – a dissonance
& musical order

ROOKS, ROOKS, BLACK-
BIRDS, CUCKOOS.

EARTH-WORM & MOLE
& TURTLE.

Jonathan Williams

Ronald Johnson, poet and cookery writer: born Ashland, Kansas 25 November 1935; died Topeka, Kansas 4 March 1998.


'Queen of the Leica': detail from Bing's Paris, 1932

Photograph: from *Women Photographers* (Virago), 1990

Ilse Bing

IN 1931, Ilse Bing made a self-portrait. Gazing into a mirror, she held a Leica camera up to her eye. The room she sat in to record this moment of solitary contemplation was, like her Leica, utterly contemporary. Its bare walls and wooden surfaces bore the hallmark of the carefully constructed environment of the New European Woman.

Bing was born in Frankfurt am Main in Germany in 1899. She studied mathematics and art history in Frankfurt, and later at the University of Vienna. Though she took up photography for practical purposes – to make illustrations for her university thesis – her talent was soon noticed, and her pictures published in daily newspapers.

By 1929, she was photographing full time, using the new miniature Leica camera to produce pictures which explored the cityscape of pre-war Germany. She worked with the architect Mart Stam in Frankfurt, capturing the burgeoning modernism of the new architecture. But, like many Jewish artists, she was soon forced to leave Germany, emigrating to Paris in the 1930s. There she was an instant success, working in photo-journalism, fashion and portraiture.

Her clients were the most innovative of the Parisian scene, *Vu* magazine, *Arts et Métiers Graphiques*, *Photographie* and *Harper's Bazaar*. She exhibited at the Galerie de la Pléiade and at the American Library in Paris. In 1932, she was invited by the influential Julian Levy Gallery to take part in the exhibition "Modern European Photography", followed five years later by the landmark show "Photography 1839-1937" at the brand new photography department of the Museum of Modern Art in New York.

The critic Nancy Barrett has observed that Ilse Bing was:

a pioneer of the new technology, cropping minute fragments from 35mm negatives and enlarging them many times their original size, improvising lenses, experimenting with highly sensitive night film, and gleaning such darkroom secrets as solarisation. She was the only professional photographer in Paris to use the 35mm camera exclusively, mastering it with such authority that the respected French photographer and critic Emmanuel Sougez was moved to call her the "Queen of the Leica".

In 1932, wandering the streets of Paris, Bing caught sight of a ripped cinema poster on the side of a decrepit building. The face of the Hollywood film star Greta Garbo was torn until only the lips and chin were showing. Bing's photograph of this so typically urban scene was more than skilful photojournalism, dwelling as it did on populist iconography found and reclaimed as part of a high art agenda.

Both Jewish, Bing and her husband, the pianist Konrad Wolff, were in constant danger as Nazi power increased across Europe. In 1940 they were interned in the Gurs concentration camp, and the following year they emigrated to the safer haven of the United States.

Bing was already well known in New York, and her career continued uninterrupted, with commissions from *Town and Country* magazine, *Two to Six* and *Baby Talk*. Away from the tense excitement of inter-war Europe, she gave up her Leica for the larger format Rollieflex, and her work became bigger, more formal and considered. She began to work in colour, making her own prints and becoming involved in the new technology of colour work.

But Bing was becoming dissatisfied with photography. The US publishing industry was changing rapidly, young photographers were coming along, and the sexual equality of Weimar Germany and pre-war Paris was eroded as masculine codes began to dominate the photographic world.

So Bing, like many brilliant women of her generation, gave up photography, commenting:

It may be difficult for a photographer with high skills and high reputation to give up as soon as new works do not represent new ideas. But the task of any artist may be defined as the revelation of something new or as the showing of something old under a new light. Repetition, even at the highest level of craftsmanship, is empty, therefore: SAY IT ONCE!

Throughout the 1970s, 1980s and 1990s her work was exhibited in Europe and the US. The reclaiming of the history of women's photography in the mid-1980s assured that the careers of European émigrées like Bing and her near contemporaries Greta Stern and Ellen Auerbach became fixed forever as undisputed pioneers of a very new photography.

Val Williams

Ilse Bing, photographer: born Frankfurt am Main, Germany 23 March 1899; married 1937 Konrad Wolff; died New York 10 March 1998.

Wally Malston

NOTHING is more ephemeral than the topical one-liner, but Wally Malston deserves to be remembered as one of its most prolific and skilful practitioners. For four decades he transmuted headlines into gags, for Bob Monkhouse, Jimmy Tarbuck, Des O'Connor, Ted Rogers, Bruce Forsyth, Mike Yarwood, Russ Abbot, Little and Large, David Frost and Freddie Starr.

An only child, Malston moved with his parents from London to Cowes, on the Isle of Wight, when his father found work there in the shipyards during the Second World War. As a teenager, Wally developed a stand-up comedy act and entered various talent contests on the Isle of Wight. "Most of my material was nicked from the radio," he admitted. "But I found I got even bigger laughs with the gags I made up myself."


Malston: a stickler

During his National Service in the 1950s, Malston learnt a trade; stationed at Aldershot in Hampshire, he studied dentistry with the Royal Dental Corps. He became a dental technician, but wrote comedy material in his spare time with a friend, Gary Knight. When Knight went to work for the comedian Freddie "Parrot-Face" Davies, Malston began writing on his own, fashioning gags for Mike and Bernie Winters, Ken Dodd and others. After writing for Bob Monkhouse on ATV's *Sunday Night at the London Palladium* and Anglia's *Carnival Time*, he was persuaded by Monkhouse to become a full-time writer, working with him on over 200 editions of ATV's *The Golden Shot*. The show was live, and Malston's topical material was one of its most popular features.

In the 1970s, while Malston was working on an edition of the sitcom *On the Buses*, his co-writer was Garry Chambers, who was also writing for Bruce Forsyth. In 1987, when Chambers received an offer to work for Joan Rivers in Hollywood, he suggested Malston to Forsyth for the game show *Play Your Cards Right*. Later Chambers and Malston collaborated on Forsyth's *You Bet!* and *Bruce's Price is Right*.

Malston was a naturally affable man – that is, until a comedian altered the wording of one of his lines. "He was a real stickler," said Ted Rogers. "Nobody could stickle quite like Wally!" Malston's brisk one-liners ideally suited Rogers's rapid-fire delivery, and the two worked together successfully on Yorkshire Television's *3-2-1*. In the late 1970s and early 1980s, Rogers toured with Bing Crosby, and Malston went along, creating new material nightly.

In 1976, when the Crosby troupe performed in New York at the Lincoln Center, Rogers created a minor furore when he described the ex-President Richard Nixon as "the only US President lying in state while he was still alive". As Nixon's daughter happened to be in the audience, the line was widely quoted in the American press. "Wally was tickled pink by the notoriety," says Rogers.

Malston developed stomach cancer in 1997, just after he finished the last series of *The Price is Right*. Bruce Forsyth spoke at his funeral:

We would like this to be a happy day, because Wally loved to laugh – especially at his own jokes. He'd come to me with a script and laugh at every line as I read it. I'd say, "Wally, are the audience going to laugh at this material the way you are?" He'd say, with those stary eyes of his, "Of course they are. It's funny!" And he was right more times than he was wrong.

Dick Vosburgh

Walter Malston, comedy writer: born London 6 August 1935; married 1963 Mary Taylor (marriage dissolved 1981); died Farnham, Surrey 19 February 1998.

BIRTHS, MARRIAGES & DEATHS

DEATHS

BRACKEN: Catherine Philippa (Kay), died on 11 March, after a long illness. Sadly missed by all the family. Funeral private.

IN MEMORIAM

HILL: Robert. Died 18 March 1997. Husband to Margaret, father to Jane, Maggie and Douglas. Much loved and sadly missed.

ROYAL ENGAGEMENTS

The Queen, Patron, opens Thomas Guy House, Guy's Hospital, London SE1.

Changing of the Guard

The Household Cavalry Mounted Regiment mounts the Queen's Life Guard at Horse Guards, 11am; 1st Battalion Welsh Guards mounts the Queen's Guard at Buckingham Palace, 11.30am, band provided by the Grenadier Guards.

Birthdays

Lt-Gen Sir Peter Beale, Chief Medical Adviser, British Red Cross, 64; Professor Alexander Boksenberg, Particle Physics and Astronomy Research Council Senior Research Fellow, Cambridge University and London University, 62; Major Sir David Butter, former Lord-Lieutenant of Perth and Kinross, 78; Mr James Conlon, conductor, 47; Mr Pat Eddery, jockey, 46; Mr John Fraser, actor, 67; Sir William Fraser, former Principal and Vice-Chancellor, Glasgow University, 69; Mr Peter Graves, actor, 72; Sir Peter Harrop, former senior civil servant, 72; Mr Alex Higgins, snooker player, 49; Mr Patrick Kavanagh, former Deputy Commissioner, Metropolitan Police, 75; Mr Kenny Lynch, singer and actor, 59; Mr Paul Marsden MP, 30; Mr Wilson Pickett, singer, 57; Sr Fidel V. Ramos, President of the Philippines, 70; Professor Sir Gordon Robson, Professor of Anaesthetics, London University, 77; Mr Alan Sapper, founder and chief executive, Interconnect AV, 67; Mr Barry Shaw, Chief Constable for Cleveland, 57; Mr Nicholas Snowman, chief executive, South Bank Centre, 54; Mr Ingemar Stenmark, skier, 42; Professor Eric Sunderland, former Vice-Chancellor, University College of North Wales, 68; Mr John Updike, novelist, 66; Dr Michael von Clemm, President, Templeton College, Oxford, 63.

Anniversaries

Births: Stephane Mallarmé, poet, 1842; Nikolai Andreyevich Rimsky-Korsakov, composer, 1844; Wilfred Owen, poet, 1893; Lavrenti Pavlovich Beria, chief of the Russian secret police, 1899; Friederich Robert Donat, actor, 1905. **Deaths:** St Edward the Martyr, King of the English, murdered 978; Ivan IV (the Terrible), Tsar of Russia, 1584; Philip Massinger, playwright, 1640; Jenny Diver (Mary Young) "Queen of the Pickpockets", hanged 1741; Sir Robert Walpole, first Earl of Orford, statesman, 1745; Laurence Sterne, clergyman and author, 1768; George I, King of the Hellenes, assassinated 1913; Farouk I, ex-king of Egypt, 1965; Umberto II, ex-king of Italy, 1983. **On this day:** in Tolpuddle, Dorset, six farm labourers were sentenced to be transported for forming a trade union, 1834; the American Express Company was organised at Buffalo, New York, 1850; the planet Pluto was discovered, 1930; the first "walk in space" from the Soviet spaceship *Voskhod 2* was made by Alexei Leonov, 1965; 700,000 barrels of oil were spilled into the sea when the *Torrey Canyon* oil tanker grounded off the Cornish coast, 1967. **Today is the Feast Day** of St Alexander of Jerusalem, St Anselm of Lucca, St Cyril of Jerusalem, St Edward the Martyr, St Frigidian or Frediano and St Salvator of Horta.

Lectures

National Gallery: Lynda Stephens, "Painting and Sculpture (iii): Michelangelo, painter-sculptor", 1pm; Carl Strehlke, "Fra Angelico through the centuries", 6.30pm (Patrick Matthieson Lecture).

Victoria and Albert Museum: Nancy Osborn, "Developments in Dress and Dressmaking 1800-1914", 2.30pm.

LAW REPORT: 18 MARCH 1998

Court had no jurisdiction to hear appeal

Regina v W and another; Court of Appeal (Criminal Division) (Lord Justice Rose, Vice-President, Mr Justice Hidden and Mr Justice Penry-Davey) 12 March 1998.

THE COURT of Appeal had no jurisdiction to entertain an appeal against a ruling at a preparatory hearing held under the Criminal Justice Act 1987 that the Crown Prosecution Service had power to prosecute for an offence of tax evasion in respect of which the Inland Revenue had accepted a settlement. The court nevetheless expressed the view that the Crown Prosecution Service was not precluded from prosecuting in such circumstances.

The applicants face trial on an indictment charging them both with two counts alleging conspiracy defraud. A third count, conspiracy to account falsely, was severed from the indictment and ordered to be tried first, and the application for leave to appeal related to the proceedings on that third count.

The allegations arose out of the applicants' activities in running company A, the prosecution case being that bogus invoices were submitted to company A by company B as a means of channelling to the applicants the proceeds of frauds perpetrated in connection with company A. The prosecution asserted that the applicants had two motives: to siphon off £3m worth of assets with a view to liquidating company A, and thus fraudulently to evade almost £800,000 in corporation tax. In May 1997 the Inland Revenue agreed to a settlement by the two companies in respect of duties, interest and penalties.

At a preliminary hearing on 15 January 1998 the judge ruled against the applicants' contention that the Crown was not empowered to prosecute them for the offence of conspiracy to account falsely. The applicants sought leave to appeal against that ruling.

Sydney Kentridge QC, Robert Rhodes QC, Andrew Mitchell and Simon Stafford Michael (Middleweeks, Manchester) for the applicants; Michael Shorrocks QC and Bernard Lever (Crown Prosecution Service) for the Crown.

Lord Justice Rose VP said that counsel for the applicants had identified the question of law in relation to which leave to appeal was sought as follows:

If the Crown through the Inland Revenue has elected not to prosecute tax evasion but instead accepts tax, penalties and interest, is the Crown through the Crown Prosecution Service nonetheless empowered and entitled to ignore that election and to prosecute in respect of that tax evasion?

He had submitted that that was a question of law within section 9(3)(c) of the Criminal Justice Act 1987; that the judge's ruling assisted in the management of the trial within section 7(1)(d); and that an appeal therefore lay to the Court of Appeal under section 9(11).

However, in *R v Hedworth* [1997] 1 Cr App R 421 it had been held that section 7(1) presupposed a valid indictment, and that the preparatory hearing was concerned with applications and orders which would facilitate the trial. The purpose of an application to quash the indictment (to which the application in the present case was akin) was diametrically opposed to that purpose. There was, accordingly, no jurisdiction to entertain an appeal under section 9(11).

That was sufficient to dispose of the application, but both Crown and defence had urged the court to deal with the merits. The court had accordingly heard full argument from both sides, and conscious that any conclusions it expressed would be *obiter dicta* and therefore not finally determinative of the question, would nevertheless express a view as the point might be of some wider significance.

It was clear, on principle and authority, that the Revenue's common law power to prosecute was ancillary to, and supportive of and limited by, their duty to collect taxes. In contrast, the statutory duty of the CPS to take over and conduct criminal proceedings was free-standing, unconfined (for present purposes) and reflected much wider public interests, concerns and objectives.

Accordingly there seemed to be no necessary dichotomy or logical inconsistency in the Crown's position if the CPS prosecuted in circumstances where the Revenue had decided not to.

Kate O'Hanlon, Barrister

THE INDEPENDENT

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Europe must not outrun the people

WHEN people talk about a "two-speed" Europe they are usually referring to the real or imagined division between those countries speeding towards greater union and those – i.e. Britain – determinedly applying the handbrake.

Europe is indeed running at two speeds, but in a different sense. At one level ministers meet and deliberate – about enlargement, about the redistribution of regional funds, about the launch of a single currency. But this ministerial superstructure still has a flimsy base. At the level of real lives, Europe still does not figure much. On the ground people think nationally about politics and politicians. Or not: turnout in the French regional elections the other day was poor, with as many as four out of ten voters abstaining.

In this country, we too have our problems with apathy, especially in local politics. But national government does seem to reflect reasonably accurately the rumbling Euroscepticism among the population at large. For all the rhetoric from Messrs Blair, Brown and their colleagues, it is not clear, three months into the British presidency, that this government is really very different from its predecessor in terms of core policies on Europe. Meanwhile, the gap between popular sentiment and European policy is probably more marked in those countries, France and Germany especially, where official enthusiasm for the project of European union is at its greatest. It is hard, looking at Germany in this election year (the contest for control of the lower chamber of the German parliament is set for October), not to be anxious about the distance between popular feeling and the policies likely to be adopted, whoever wins.

The German public is full of misgivings about losing the mark. That's not surprising: it has been the great symbol of post-Nazi German identity. For the Germans, the domestic strength of the mark – backed by a federal constitution and an independent central bank – declared that old history had ended and a new, honourable German history had begun. A clear majority of Germans remains unconvinced that peaceful relations or better trade with neighbours demands the abolition of the Mark.

Germans admire the consistency and fortitude shown by successive French administrations in backing a strong franc, but that does not convince them that monetary wedding bells ought to be ringing yet. As for the Italians, even Chancellor Kohl, the arch-enthusiast for European monetary integration, has found it hard not to patronise the Prodi government. Whatever it has accomplished in terms of technical preparation for EMU, neither Italian party politics nor that country's economic constitution yet look fit for the long haul.

Yet here comes Gerhard Schröder charging up the polls as the Social Democrats' standard bearer in the federal elections and he turns out to be no people's tribune in the matter of Germany and Europe. He is a strong candidate for a number of reasons, several of them negative. Helmut Kohl, however much Germans respect his achievement over unification, has been in office too long; he has presided over policy failure – for how else can 5 million unemployed be described? The Chancellor has seemed incapable of responding to widespread criticism of sclerosis in Bonn.

We must not get carried away by the Germans' enthusiasm for the Blair phenomenon. Herr Schröder may be less "left-wing", less close to the trade unions than his SPD rival Oskar Lafontaine but that does not make any less a corporatist, a consensus builder. He is in many ways an admirable product of the solid and solidarist nature of post-war German democracy. There is nothing in his record, as a successful SPD leader in Lower Saxony, to suggest he wants to break up the formula which has carried Germany through the half century. He is a "Blairite" only insofar as he promises political renewal in Bonn/Berlin. In electing Herr Schröder, the Germans would, in many senses, be choosing a conservative – no radical thoughts from his camp about the federal constitution.

The domestic political choices of the Germans are, strictly speaking, none of our business. What ought to concern Britain, as fellow members of the European Union and as, in a symbolic sense, guarantors of the post-war settlement, is the legitimacy of decisions taken by national leaders. It is in our interests, and the interests of liberal democracy that as the German election campaign gets into gear, Germans are given a convincing sense that their preferences and their anxieties – especially over European integration – are recognised and reflected in their choice of candidates.

Passport to big savings for taxpayer

HERE'S a question of the "why do we never see baby pigeons?" variety. Why, at airports, do Home Office staff check your passport as you leave the country? What have immigration staff to do with emigration? Clearly you need a passport to get back in but what is the point of a fleeting inspection on the way out? Besides, the checks that are made are cursory and inconsistent. You do not have to show a passport to step on Eurostar. On the Channel ferries, passport control – if it exists – takes the form of shoving what looks like a travel document in front of the person who collects the tickets. The whole abortive exercise costs £3m a year and even the security and intelligence services acknowledge that the system of outward passport control produces no data that cannot be got more effectively elsewhere.

Most of the above has applied for years. Under the Tories great play was made about sweeps and trawls through the government machine, efficiency reviews and so on. Yet the system survived. Till now. Labour seems to have seen the light. Jack Straw's Home Office has just announced it is abolishing outward-bound passport control. It is a welcome saving. But how many more redundancies and anachronisms are waiting to be discovered and removed, to the public benefit and the relief of taxpayers?

PICTURE OF THE DAY

Waiting for the Dublin train at Killarney railway station, Co Kerry

Photograph: Brian Harris
A 9x12 print of this photograph can be ordered on 0171-293 2534

LETTERS

Post letters to Letters to the Editor *and include a daytime telephone number*
Fax 0171 293 2056; e-mail: letters@independent.co.uk E-mail correspondents are asked to give a postal address. Letters may be edited for length and clarity.

Iraq's agony

YOUR Iraq appeal has given me a sense of comfort that the people of Iraq are not forgotten.

I lived in Iraq for 12 years, through the Iran and Gulf Wars. On 2 August 1990, during my school holiday, I woke up to hear that Iraq had invaded Kuwait. The Iraqis I met could hardly believe what had happened or why. The events after that are like a very bad nightmare. The Iraqis have not yet woken up from it.

Sanctions were imposed, and all of us watched food and medicine becoming more and more scarce, more children becoming sick and dying, starvation becoming common. People began to aim for getting through one day at a time. Ambitions of a good education changed to ambitions of providing food and not sleeping hungry every night.

When the air-strikes arrived, slowly we could see the country collapsing. Civil buildings were bombed. Electricity, water and sewage works were bombed. Driving in the streets of Baghdad you lost count of the black cloths, with the a soldier's name printed in white, hanging over the walls of houses, a custom in Iraq when a soldier dies. The Iraqi government later announced victory on national Iraqi television, to the millions of people who were still crying over their dead loved ones.

With the destruction of the essentials of health through the bombing – electricity stations, water purification plants and so on – more and more children began to die of diseases like diarrhoea. Vaccines slowly disappearing, operations being carried out while the patient is conscious due to lack of anaesthetic.

People in Iraq are still suffering under the regime and the sanctions, which have weakened the Iraqis and strengthened their oppressor. I pray no country will ever be like Iraq is now. That is why I welcome your campaign to raise money for the children.

FARIS DEAN
University of Leicester

Pension promise broken

THERE have been many reports on pension sellers who misled people. I cannot help comparing them with previous governments who took people's money with an agreement to provide them with pensions when they retired.

The agreement was that pensions would rise in line with the cost of living. It remained until the 1970s. The link was broken by the Thatcher government. If a commercial pension provider had made the decision to change the terms of an agreement unilaterally, then any court in the land would have reversed that change. I wonder how the "New Labour" morality can correct this situation.

M ABRAHAMS
Hove, East Sussex

Duty-free axe

GEOFFREY MARTIN of the European Commission rightly points out (letter, 13 March) that EU finance ministers unanimously agreed in 1992 that duty- and tax-free sales within the EU should be abolished from 30 June 1999. But he omits to mention three things.

The decision was made against the background of an expectation of at least some degree of harmonisation of tax rates as part of the process of completing the single market. That has not happened; there remain massive differences in excise rates and abolition of duty-free before that issue is addressed is putting the cart before the horse.

The warnings of job losses, damage to the regions and higher travel costs come from a number of independent research studies. These were commissioned by the industry, but only because the Commission itself has consistently refused to undertake a study of the economic and social consequences of abolition, as formally requested by the European Parliament in 1991.

Since 1991 the Commission has likewise made no effort to propose an alternative workable regime to duty-free. Hence the chaotic situation if duty-free is abolished.

This whole issue must be reviewed by EU finance ministers.

BARRY GODDARD
General Secretary
Duty-Free Confederation
London SW1

Cannabis hypocrisy

I CONGRATULATE David Prior, Conservative MP for Norfolk North, for admitting that he smoked cannabis for several years in his youth ("Cannabis may be made legal for medical use", 16 March).

This comes at a time when a poll of new MPs revealed that 20 per cent have tried an illegal drug. Yet so far the number that have announced it publicly can be counted on one hand.

Almost every adult has either taken an illegal drug or known someone who has and not reported them. For a government to ban a remarkably safe plant like cannabis, whilst profiting from the trade in dangerous legal drugs like alcohol, is hypocritical. To publicly support prohibition whilst concealing their own "law-breaking" past is downright dishonest. One thing this country does not need is a House of Commons full of liars and hypocrites.

ALUN BUFFRY
Norwich

Art for the many

RICKY HANDS (letter, 16 March) and I can agree that education, culture and experience are all invaluable when assessing works of art. But these qualities are no longer the preserve of an artistic élite. They are increasingly available to any of the general public who own a TV set or radio or who read books and newspapers. He also forgets that the initial derision heaped on, for example, Impressionism came as much from established art "experts" as the public. We only remember the minority of far-sighted critics who recognised that a major artistic movement had begun.

His comparison with engineering is interesting. Of course, an engineer is better equipped than a member of the public to ensure an aeroplane or car performs its main task of safe transportation. However, after the basic engineering framework is determined, public opinion, taste and aesthetics are at the forefront of subsequent considerations. That is called design.

JASON M REESE
Lecturer in Engineering
University of Aberdeen

World in Action editor

FOLLOWING your report "*World in Action* editor steps down" (5 March) I would like to make it clear that Steve Boulton's change of role had nothing to do with the recent court settlement in favour of Marks & Spencer. Steve Boulton was on holiday when the programme was transmitted and in his absence full responsibility for clearing it for transmission was taken by another executive on legal advice. It had been decided some time ago that the programme would require a fresh eye and a new Editor.

In four years as Editor of *World in Action*, one of the toughest jobs in television, Steve Boulton led the team with courage and distinction. He is currently considering an offer of promotion within Factual Programmes at Granada.

ANDREA WONFOR
Joint Managing Director
Granada Productions
London SE1

Ballet at all-time low

I WAS intrigued to learn from David Lister ("Sell-off plan for the Royal Opera", 16 March) that the Royal Ballet is currently enjoying critical acclaim. The reports from your excellent dance critic Louise Levene paint a very different picture.

Nor is she alone in her opinion. Most long-term observers of the Royal Ballet would agree that under its current direction the company has reached an all-time low as far as repertory and standard of performance are concerned.

The overall technical level of dancing may have improved, along with that of virtually every other company in the world, but there are probably fewer really outstanding dancers than at any other time in the company's history and the choice of repertory can most kindly be described as timid.

It is true that ticket prices for ballet are lower than those for opera, but with top prices of more than £50, for most people it is still an expensive evening out and one which, unless something drastic is done soon, they are unlikely to repeat.

JUDITH CRUICKSHANK
London EC1

Music before image

YOUR article "String something simple" (12 March) prompts me, as one of the "grey-haired men in tail coats" (but definitely not constipated) to defend the "dusty quartet image".

We have always believed that our public come to hear the music, and so we strive to remove any distractions so that concentration can be focused where it ought to be, not on our "image".

The result: not too many glamorous engagements with "pop" stars but a rewarding life playing the music we love to loyal chamber music lovers.

PETER CARTER
Allegri String Quartet
London SW1

The new Radio 4: all your questions answered by the other Jimmy Boyle

MILES KINGTON

OF ALL the changes to the face of Radio 4, the one that seems to have attracted the most attention is the brand new programme called "James Boyle Tries To Explain The Radical Changes We Have Brought to Radio 4 Which Are The Most Far-Reaching For A Generation, Even Though Nothing Has Really Been Altered Much", which is now going out daily on Radio 4.

If you have missed this programme and don't know when it can be heard because of all these changes to Radio 4, I am bringing you a transcript of this morning's programme, which was a repeat of yesterday's...

Caller: Mr Boyle, I like all your changes and I think you've brought a breath of fresh air to the schedules...
Boyle: Thank you...
Caller: But there is one change that puzzles me. I am a great fan of *The Archers* and I can't understand why you have moved it to a 2am slot. For many of us, this is the middle of the night.
Boyle: Well, I can understand that a lot of regular *Archers* listeners will find this move difficult to begin with, but there is a good reason for it. You see, our research shows that audience figures take a sudden and very disappointing dip after midnight, until sometimes we have very low ratings indeed at the 3 or 4am mark. Our research also shows us that *The Archers* is one of the most popular programmes on air, with one of the loyalest audiences, so our strategy is to place *The Archers* at a time when it will prove a lure, not only to stay up late, but to carry on listening to the next programme.
Caller: As a matter of interest, what is the next programme?
Boyle: The Shipping Forecast.
Caller: Why couldn't you leave *The Archers* where it is and move the Shipping Forecast to a daytime slot?
Boyle: Because our research shows that the audience for the Shipping Forecast, which is very small but loyal, prefers to listen in the middle of the night.
Caller: Why?
Boyle: To keep awake and prevent their ships from running into things and sinking. Next?
Caller: Mr Boyle, you have said publicly that Radio 4 listeners are choosers. They are selective.
Boyle: That is so.
Caller: You have also said that you want to lure Radio 4 listeners to listen to certain slots by dangling popular programmes in front of them so that they will listen to the succeeding programmes.
Boyle: Certainly.
Caller: How can Radio 4 listeners be choosers AND easily lured? It doesn't make sense.
Boyle: Well, our research shows that Radio 4 listeners come from the upper age end of the population. They are, to put it in English, older. This means that they can't move as fast as the rest of us, so when their favourite programme ends, it may be four or five minutes before they have clambered or manoeuvred their way across the room to the radio. By that time they may have got interested in the next programme.
Caller: Or, of course, forgotten what they were coming across the kitchen to do, and go back again without switching off.
Boyle: I'm glad you said that. I didn't feel it was right for me to say so. Next?
Caller: Mr Boyle, are you the same Jimmy Boyle from Glasgow who was put in prison for murder and then became a sculptor?
Boyle: No, I don't think so.
Caller: Is that why you kept your name as James rather than Jimmy? To avoid confusion?
Boyle: Yes. We've done a lot of research into this one, and we found that people didn't particularly want Radio 4 run by an ex-murderer and sculptor. Next, please.
Caller: Why are you making the *Today* programme even longer?
Boyle: Our research shows that it is one of the most popular programmes on air.
Caller: Might it not be that it is only the listening slot that is popular? Might it not be that people tend to switch on the radio for the news, weather etc, more at that time than any other and will listen to anything that happens to be on, whether it is the *Today* programme or not? Might I also suggest that if the *Today* programme were truly popular, people would call it *Today*, and not the *Today* programme? Might I suggest that you try moving the *Today* programme to the Shipping Forecast slot and see which gets the better audience?
Boyle: No, you may not. Next!
Caller: Until recently I was working in Radio 4 programme production, but I was made redundant to help pay for all this revamping of Radio 4...
Boyle: Next!

You can get a transcript of this programme if you send lots of money to the BBC.

هكذا من الاجل

The biggest country in Europe is at the bottom of the table

HAMISH McRAE

The Ukraine's economy may have a very long way to go, but then so did Britain's just a few decades ago

IF YOU want to go back in time fly to the other side of Europe. There is a country with a population much the same as Britain, but one which resembles Britain of the late 1940s – the Britain that anyone older than their mid-50s will recall.

The war-time bomb damage is still evident, with many fine 19th century buildings in the capital still just façades. There are few cars on the roads and no parking meters. There are power cuts and dim street lights to save energy. Petty bureaucracy remains triumphant, with strings of permits needed for anyone who wants to start a business. There are naturally currency restrictions, stopping people taking too much money out of the country. Personal taxation is crippling, so people get round the system by using wads of cash and trading in the "informal" economy. While rationing has now ended the supply of basic goods remains uneven. The place is poor, of course, but the overwhelming impression in the capital at least is not so much one of poverty but of a monochrome drabness. Yet on paper this same country has everything going for it: the best quality land in Europe, a well-educated population, the possibility of being self-sufficient in energy in five years, a sub-tropical coastline, layers of culture.

The country is the Ukraine, and I have just returned from a, yes, delightful and moving weekend in Kiev.

If you write about economics I suppose you inevitably tend to see countries through their economies. Ukraine is a fascinating conundrum, because despite its natural advantages it is – with I suppose the exception of parts of the former Yugoslavia – the least successful economy in Europe. It is one of the few places *in the world where the rouble is regarded as* a strong currency. Seven years into independence, the process of economic reforms has only just begun and the level of GDP has fallen, on the official figures, to something like one-third of its level before the break-up of *the Soviet Union. In fact it is the only former* USSR country where GDP is still falling. True, the official figures will be wrong, for more than 60 per cent of the economic activity is in the informal economy, but even allowing for that, things are pretty bad.

Is it hopeless? Well, no, for a whole series of reasons including one very big one.

For a start a lot of Western money and expertise is going into the place. Ukraine has *the third largest programme, after Israel and* Egypt, of USAID, the American government's main aid effort. The IMF and World Bank are in there – not always with the most successful results, and there are problems at the moment with the IMF lending; but there is a solid commitment. We are there with the excellent Know-how Fund, which finances advice and which has been very important in helping to lift the economies of countries such as Poland. Other Western governments are there too.

Now you can be cynical about this effort and I am sure that not everything that the West is doing or paying for is appropriate. But we are not flying completely blind, as we were at the beginning of the 1990s, when we had no experience at all in converting a Communist, centrally planned economy into a democratic, market one. Besides, as the rest of Eastern Europe pulls up, with Poland, the star hitting 6-7 per cent growth, even the laggards will be pulled up too.

Next, there are enormous natural assets. I was told the famous black earth, the most fertile soil in Europe, really is as wonderful as it has been billed. The cultural assets are evident in Kiev: the churches, the pastel-painted 18th and 19th century facades, the choirs – half close your eyes and Kiev could be Prague. The Black Sea coast is the Mediterranean without the hordes. And there is that most important form *of natural asset, the human capital not only* of the well-educated population but also the diaspora – the millions of Ukrainians particularly in the US and Canada.

Western companies are in there: McDonald's has opened, which you might not immediately think of as a great cultural import, but remember that it is teaching Ukrainians the concept of service and its employees will be able to go off and apply the lessons they have learnt to other businesses. There is as yet no Western quality hotel in Kiev (which will lead to some fun when the EBRD has its annual meeting there in May) but are lots of small signs of Western quality service emerging: small supermarkets, restaurants and the like. There are many well-dressed and stylish people in the streets. It is, apparently, much easier for a Westerner to live in Kiev now than it was even two years ago.

But there is one thing that seems to me to be larger than any of these. It is that we have been there too.

In the 1940s we had extraordinary restrictions on our companies, which had, for example to get permits, which were often refused, if they wanted to expand. We had rationing, so that there was a flourishing black market in rationed products. These regulations created exactly the same change in the balance of power between bureaucracy and *citizen: you had to be nice to the shopkeeper* or the official. We had exchange controls. We had wage controls.

In fact some of these petty, absurd, restrictions lingered until the 1970s. You had to wait months for a telephone. There was the *£6 limit on wage increases.* We had the visit from the IMF and Denis Healey warning of the danger of riots in the streets.

If it took us more than 40 years to eliminate a command economy relic like exchange controls, it is reasonable for a country like Ukraine to take a while to get rid of its command economy mentality too. Meanwhile, it remains a sad, but ultimately hopeful, reminder of a Britain mercifully long past.

This could be the woman who turns the feminists against Bill Clinton

The taboo against sexual predation in Nineties America has given women new power, says **Mary Dejevsky**. But will it be used for good or ill?

Power of the harassed: Kathleen Willey in her TV interview AP

THIS is the double-handed drama that 25 years of fractious American feminism and an unlearning male establishment have scripted. She says she went to his office as a desperate petitioner and he abused his power by trying to kiss and grope. He says she was agitated and needed comfort: he placed an arm around her shoulder, a peck on her forehead maybe, but nothing that could have been misconstrued.

They might have been an aspiring starlet and a Hollywood director, a college student and her professor, a secretary and her boss, an army recruit and her drillmaster. But they happened to be a voluntary worker in distress and the President of the United States. And the *scene was not some book-lined study* or sordid mess room, but a corridor off the Oval Office, hallowed scene of summit meetings and state broadcasts.

The allegations are shocking, of course, but not beyond belief. Bill Clinton's "zipper problem" has always loomed in the background of his presidency. Thanks partly to Anita Hill and Clarence Thomas eight years ago – she said he had made crude advances to her at work and did not qualify to be a Supreme Court judge; he said he hadn't, and did (and won his confirmation in the Senate) – relations between the sexes in America have become the most tense and litigious in the world. The combination was a White House scandal waiting to happen.

As yet, the truth of the Willey-Clinton encounter is elusive. Is it to be found in Kathleen Willey's sad and seemingly reluctant accusations or in Bill Clinton's sad and adamant denials – who knows? But something has changed. Ms Willey's personal credibility as a victim and the banality of her story threaten a crucial pillar of Mr Clinton's political support: the women whose votes won him power five and a half years ago.

Until Ms Willey's television interview on Sunday night, opinion polls showed women standing loyally behind "their" President. When the sex scandal before last broke upon the world eight weeks ago – tape-recorded confessions by a former White House trainee, Monica Lewinsky, of an 18-month affair with Mr Clinton – women were dismissive, or indulgent. Mainstream women's groups withheld judgement: in part because they genuinely feared drawing the wrong conclusion; in part to mask the discord that raged in their ranks.

There was surprise and not a little (male) scorn at this non-reaction. How could free-thinking American women, who let pass no opportunity to damn a man for the slightest flirtation with a junior female colleague, relax their rules for the President?

The (male) political right accused feminists of going easy on Mr Clinton because he was helping to further their agenda – tax breaks for childcare, med*ical insurance for children, nursery* education, no more restrictions on abortion – and just wanted to keep him in office. Some suggested, not entirely without justification, that many women fancied Mr Clinton and were prepared *to give him the benefit of the doubt,* much as they might close their eyes to a lover's dalliance.

> All the President's women have done America a favour by drawing attention to the costs and benefits of the country's sexual harassment laws

Inside women's groups, the arguments went to and fro. Some whispered distinctly unfeminist thoughts about Ms Lewinsky's supposed unworthiness for support: that she was not a "nice girl", that she had "asked for it", that just maybe she actually set out to seduce the President of the United States.

Only at the outer fringe of the feminist movement was Mr Clinton condemned: for supposedly taking advantage of a junior colleague who was scarcely older than his daughter. The few moderate feminists who put their heads above the parapet explained their silence by referring to Mrs Clinton's spirited de*fence of her husband. "If it's all right* by her," they said, "who are we to object?" And that was the view that prevailed – *until now*.

Kathleen Willey's television interview may have ended the truce. Even before it was aired, Patricia Ireland, the President of the National Organisation of Women, said that if Ms Willey's accusations were true – his hand on her breast, her hand steered towards his genitals – Mr Clinton's conduct was "not just sexual harassment, but sexual assault". From then on it would be open season on Mr Clinton from all manner of feminist groups.

In theory, the caveat "if the allegations are true" allows everyone a dignified retreat, even though few – including workers in the panicky White House – now seem prepared to bet otherwise. The release by Clinton's staff on Tuesday of personal letters from Ms Willey to the President show just how dirty things can get. But something good may yet come out of the whole lurid tangle.

Monica Lewinsky – immortalised in the ridiculous film clip of her behatted self rushing out of the crowd to clutch joyfully at the President – has given Americans something sexual to laugh about. She seemed (and seems) so purposeful and so resilient that it was hard to see her as a victim; more a soubrette in the old-fashioned mould: good for Bill Clinton and good for America.

From offices across the country came tales of men and women standing by the water fountain cracking unprintable jokes about what might or might not have happened between Bill and Monica in the Oval Office. "Having sex? I sure hope they were," concluded one satirist: the thought of Monica spending her many visits at the White House advising on Nato or the budget was just too dire. If Monica Lewinsky has weakened the diktat of political ultra-correctness at work, she has done America a favour.

But so, more seriously and painfully, have all the President's women, by drawing attention to the costs as well as the benefits of America's confusing sexual harassment laws.

Consider their cases: there are five names in play, and more, it is rumoured, in the wings. Two – Dolly Kyle Browning, who says she was Mr Clinton's school sweetheart and sporadic lover thereafter, and Gennifer Flowers, who says she was his mistress for 12 years – appear to have fallen out with him over his attempts to hush up the relationships. Two, Paula Jones and Kath*leen Willey, say they suffered* unwelcome advances. Monica as yet is saying nothing.

Whether these women are telling the truth or not, the sexual harassment laws mean that the advantage is no longer only with the powerful. Flowers, Willey and Lewinsky all emerged from their encounters with better jobs. Where sexual predation is taboo, a man's moment of weakness gives a woman power. And in Nineties America, when sexual harassment has become the crime of the age, that power is all the greater. In the case of Bill Clinton, it is the power to discredit, even topple, the most powerful man in the world.

When even Eton doesn't want to be thought of as elitist ...

ANNE McELVOY

Equality may be a false god, but true meritocracy could be good for everyone

HERE'S a thing: the Headmasters' Conference, which inspects schools in the independent sector, has just mustered Eton and discovered that it is "not élitist".

Can you imagine a worse end-of-term report for parents who have forked out the annual £14,000 in fees – and that's without the frock coats? In my mind's eye, I see an irate army of county types, Arab Sheikhs and terrifying Russian businessmen hurtling out of their Range Rovers, armour-plated Mercedes and helicopters to demand their money back.

The inspectors discovered that parents were worried by Eton's "snobbish reputation". That they reported this concern without any indication of scepticism does not speak highly of their understanding of human nature. It may be true that even the parents of Etonians feel it *de rigeur* these days to bemoan snobbery. It is a trait we tend to observe acutely in others. A small amount of it can be charming, but only if it is entirely unaffected. The plutocratic grandfather of a German friend, noted scourge of pretension in the lower orders, was horrified to hear that his descendant intends to become a lawyer. "In this family," he thundered, "we hire lawyers, we don't become them."

Eton is a similarly élitist institution and it ill behoves it to start fumbling round for excuses. Besides the greenness of the playing fields and the expertise of the Classics masters, a significant reason for any parent to send their children there – or indeed to any grand school – is to network. You don't send your son off to swap rugby bruises with the heir to the throne but one entirely unaware of the potential power of influential friends.

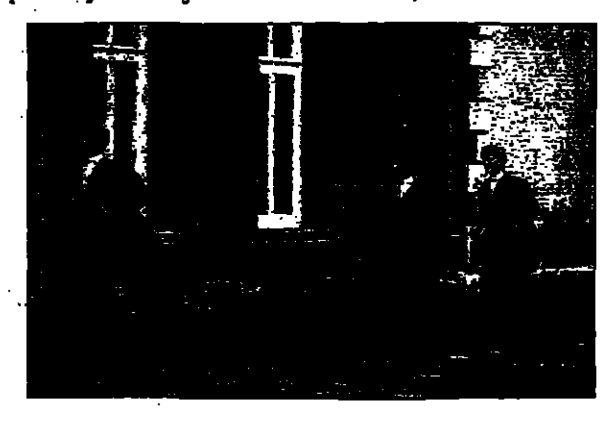
This does however open up the question of what élitism – that most elastic of concepts – means and how much of it we want. It has not been a word often heard recently, even on the more adventurous fringes of the modernising Left.

But I sense that it is on the verge of recovering political respectability. In New York, a spokesman for the Met recently answered a hostile question on whether the Opera House was élitist with the answer that he very much hoped so, and that the aim was to make their thoroughly élitist productions accessible to the greatest number of people who would enjoy them.

This meritocratic definition of élitism is the best defence – whether you are an opera house executive, a newspaper trying to carve its niche at the top of the market, or a Radio 4 controller dodging the bullets aimed at anyone who seeks to reform a well-loved institution. It is not one you can make when price – as at Eton or the Royal Opera House – debars an overwhelmingly large number of people from gaining access to what is on offer. The trouble with meritocracy, as Groucho Marx very probably said somewhere, is that it's so damned expensive.

Any argument about élitism is inseparable from a discussion of egalitarianism. The hoary old exchanges between those in favour of maximising equality of opportunity and the standard-bearers for equality of outcome, achieved by redistribution, has been revived in spats between Gordon Brown and Roy Hattersley. For all their differences, they agree that greater equality is a fundamental goal.

It is a long time since the Left reviewed how useful the concept of maximising equality is. Outside the wilder shores, it has accepted that equality of outcome is impracticable and that attempts to engineer it would result in a strongly centralised, heavily miserable society – what the East Germans used to call "the equality of shortages". The Left still uses "equality of opportunity" as a lazy substitute.



But the truth is that unless you unleashed a New Labourite Henry VIII to do to private schools what he did to the monasteries, people will use their greater wealth to maximise the opportunities of their children (by sending them to Eton, for example). It is very hard to stop them doing so. So hard, in fact, that no party aspiring to re-election would risk it.

But would a society in which a greater number of people fared well in terms of opportunity and material outcome, but which contained great inequalities, not be better than one that offered a lot more equality without much alleviating misery? Pre-socialist radical thought concentrated on the reduction of poverty as a primary goal. It did not concern itself so much with disparities of wealth after that. Yet after 1945, the gap between rich and poor came to obsess the Left. The same devotion to nominal pursuit of equality has afflicted education. Belief in this is steadily seeping away, although the official language remains unchanged. David Blunkett, who eschews selection, nevertheless believes that it is all right to allow children with certain special talents like sport or music to attend special schools. The same principle will soon be extended to schooling for promising linguists. It then becomes hard to argue against children who are very gifted at mathematics or any other academic subject being selectively educated too.

We might go the whole hog and encourage every school to specialise in something, as districts in some educationally enterprising American cities (such as Seattle) have done. The most uplifting aspects of widespread specialisation is that it extends way beyond the traditionally academic definitions of meritocracy. A child of modest academic ability who is passionately fond of basketball can opt to attend a school with brilliant basketball facilities. It would certainly be an improvement on our crude league table assessment of schools, which consigns so many to the disheartening category of being deemed to be not very good at anything.

Meritocracy is an idea whose time has come. The whole philosophical drift of Blairite thinking tends in that direction. The centre-left has not yet found a way to embrace it without sounding callous; snobbish even. But it will, because the alternative does not serve average achievers in schools well, let alone below-average ones.

We will then face a forgotten question, put by Michael Young in his study of meritocracies after the war: how ruthlessly can a society afford to implement such an idea? If we really assessed people by ability and rewarded them accordingly, what would we do with those who, however generous the interpretation, are left behind in the race? Young pointed out that the disadvantage of meritocracy was that it tended to produce a disillusioned, embittered under-class, isolated from and hostile to the rest of society and which took little part in civil society. I don't have the answer to this. But I would point out that the alternatives have not prevented something very similar from arising – without the compensatory benefits.

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FINANCIAL JOURNAL OF THE YEAR

Booker chief leaves after second profit warning of the year

By Nigel Cope
City Correspondent

THE CHIEF executive of Booker, the struggling cash and carry group, is to leave the company after it issued its second profits warning of the year yesterday.

Charles Bowen, who has overseen a dramatic decline in Booker's fortunes in recent years, has already given up all his executive responsibilities and could be in line for a pay-off of more than £600,000 under the terms of his two-year rolling contract. He was paid a salary of £315,000 for the year to 1996, the last year for which details on directors' pay are available.

"The company has underperformed for years and he has paid the price for that," said one analyst. According to Booker's finance director, John Kitson, Mr Bowen was asked to leave by a unanimous decision of the rest of the board after it became clear the group was going to have to announce another profits alert.

Mr Bowen was responsible for the £264m acquisition of rival cash & carry firm Nurdin & Peacock 18 months ago. The integration has been poorly handled and since then Booker has issued four profits warnings. "The erosion of shareholder value has been quite remarkable," said one analyst. Booker shares stood at 470p at one point in 1994. Yesterday they closed 4p lower at 240p.

A strategic review of Booker's operations will now be undertaken by Alan Smith, the Storehouse chairman, who moves up to become deputy chairman. He will report on the review's findings at the annual meeting in June.

Analysts expect it to recommend the sale of all Booker's businesses apart from cash and carry and food distribution. Businesses up for sale could include UK and American agribusiness such as salmon farming, a fish processing business and the prepared foods operation which makes sandwiches and ready-made meals for supermarkets.

Analysts said these interests could fetch a combined total of around £250m which could be returned to shareholders. They expect a cut in the dividend and some say the shares could be worth close to 300p.

The slimming down of Booker follows similar moves by other food groups such as Perkins Foods, Hillsdown Holdings and Dalgety.

Booker blamed its latest profit warning on operational difficulties in the integration of the Nurdin cash and carry business. This will mean the "full financial benefits will now be realised slower than planned".

The strength of sterling has also affected salmon prices and therefore profits. Booker said it expects 1988 profits to be "somewhat below market expectations". Analysts cut their forecasts from as high as £110m to £90m.

Commenting on the company's poor run, chairman Jonathan Taylor said: "1997 has been a difficult year for Booker. The board is now implementing a strategic review to ensure that shareholder value is significantly improved as we go forward."

The full year to December 1997 showed a fall in profits from £92.7m to £76.1m. This was due to a profits shortfall in the fourth quarter at the cash and carry operations. Problems included the failure of a supplier's computer system, the timing of the increase in tobacco duty and unforeseen changes in the sales mix at the former Nurdin branches.

Diageo aims to reach global pinnacle by 2002

DIAGEO, the world's largest drinks group formed by the merger of Grand Metropolitan and Guinness, yesterday outlined an ambitious target to become one of the world's top five companies by the year 2002. Chief executive John McGrath (above) said Diageo's market capitalisation of £24bn made it one of the biggest companies in the world. He wanted to be alongside Coca-Cola and Philip Morris in terms of returns to shareholders. Each divisional head has been dispatched to come up with ways of reaching that goal. Mr McGrath was speaking at the maiden financial results of the two companies, which formally joined forces on 12 December. The six months to 31 December showed pre-tax profits before exceptionals of £1.2bn, up 10 per cent on last time. Full-year profits were up 9 per cent at £1.95bn, broadly in line with analysts' forecasts.

Mixed signs on economy greet Brown's Budget

By Diane Coyle
Economics Editor

THERE WAS mixed economic news in the hours before Gordon Brown's first full Budget. On the one hand the Government repaid £1.9bn of the national debt last month, a record repayment for a February. On the other, the underlying inflation rate crept up to 2.6 per cent, above the 2.5 per cent target it had touched for just one month.

The figures had little impact on the financial markets, where all judgement was suspended ahead of the Chancellor's speech. Analysts said today's figures on average earnings and retail sales would be more important in the Bank of England's calculations over interest rates.

The unexpected repayment of debt, in contrasted to an expected £2bn borrowing requirement last month, highlighted the healthy position of the government's finances. In the first 11 months of the financial year 1997/98 the government repaid £1.7bn excluding privatisation proceeds and the windfall tax, compared to an underlying Public Sector Borrowing Requirement of £18.1bn at the same stage last financial year.

Adding in the windfall tax and privatisation receipts, the repayment in March to February amounted to £6bn, compared with a £14bn PSBR the previous year.

Part of the explanation for the recent stellar improvement has been the switch to self assessment, which has speeded up income tax receipts. These were 42 per cent higher in January and February than in the same two months last year, but will fall back in later months.

However, other tax receipts are also buoyant thanks to the strength of the economy, and especially consumer spending, in the past year.

Just as important has been the Government's extraordinary control over expenditure. Spending by central government departments is actually lower than a year ago, at £263.2bn in April-February, down from £264.3bn in the same months last year. Even a traditional end-of-year spree will keep the total below the Treasury's forecast growth of 1 per cent.

Yesterday's inflation figures were less favourable, although the experts differed in their reaction.

The headline rate of retail price inflation edged up from 3.3 per cent to 3.4 per cent in February, while the target measure climbed from 2.5 per cent to 2.6 per cent.

First Leisure appoints independent directors to stave off investor revolt

By Andrew Yates

MICHAEL Grade, the former media mogul who now chairs First Leisure, yesterday caved into pressure from large shareholders to reform the antiquated board structure of the bars to bowling group.

First Leisure has been forced to bring forward plans to appoint two new independent non-executive directors to the board to stave off a potential shareholder revolt over a series of controversial measures including Mr Grade's own £4.5m, four-year pay deal.

However, some of First Leisure's largest institutional shareholders remain angry that Mr Grade has ignored their demands for a more far-reaching shake up of the board and believe the plans do not go far enough to placate their growing concerns about the way the group is run.

First Leisure plans to appoint the new non-executive directors within 12 months, to replace two, as yet unspecified, existing non-executive board members. The move is designed to assuage shareholder concerns that the current non-executive directors lack independence.

The concessions were enough to ensure that three non-executive directors including Joe Bollom, David Ducks and Sir John Woolf were re-elected to the board. However, they only narrowly won a poll at the agm, with more than 45 per cent of the shareholders showing their dissatisfaction with First Leisure by voting against them. The three non-executives have attracted specific criticism from institutional shareholders and are candidates to lose their positions when the new directors are appointed.

Head of investment trust trade body makes early exit

By Andrew Verity

MICHAEL Hart, the head of the investment trust trade body which has been mired in controversy in recent months, suddenly resigned yesterday after less than three months in the job.

Mr Hart resigned as director-general of the AITC, whose members manage £62bn of investors' funds, after telling colleagues he had become ill and found the job much more demanding than expected. No replacement has been found.

He had opposed intense pressure from shareholders such as Hermes Investment Management, the corporate governance hawks, for the boards of investment trust companies to be seen to be more independent of their fund managers.

Hermes, together with City of London fund managers, used their shareholdings to oust the entire board of the Brazilian Smaller Companies Investment Trust at the end of January. Mr Hart had been chairman of the trust at the same time as being chairman of the fund manager, Foreign & Colonial.

Texas Utilities pulls ahead in tussle for Energy Group

Texas Utilities raised the stakes in the battle for Energy Group by acquiring a further 7 per cent of the company, taking its holding to 22 per cent. Its brokers, Merrill Lynch, bought 37 million Energy shares to add to 77.5 million already held. Texas, bidding £4.45bn, now owns shares worth £960m, making it unlikely the rival bidder, PacifiCorp, can acquire 80 per cent of Energy Group's shares - the threshold it would need to reach to consolidate the company for tax purposes.

Lloyd's nets £1.16bn profit

Lloyd's of London, the insurance market, announced record pre-tax profits for 1995 of £1.16bn, including a net release of reserves totalling £149m. The overall profit for 1994, including a net release of reserves of £82m, was £1.10bn. Max Taylor, the chairman, welcomed the figures but said conditions had deteriorated since 1995.

WPP Group snaps up S&J

WPP Group, the world's largest advertising and marketing company, has bought Smith and Jones Communications, a UK business-to-business agency specialising in hi-tech industries, for an initial consideration of £3.55m. S&J has more than 40 clients in the hi-tech sector, including Hitachi, Motorola, Sony and Fore Systems.

Dorling Kindersley drops

The educational publisher Dorling Kindersley posted sharply lower profits and said that it faced a challenging year due to the pound's strength and the tough multimedia market. Pre-tax profits fell 40 per cent to £4.1m for the six months to 31 December.

BT rings the changes

Bill Cockburn, who joined BT from W H Smith last year as managing director of its UK telecoms business, was appointed to the BT board. BT also announced the retirement of two non-executive directors – Bert Roberts, chairman of MCI, BT's one-time US merger partner, and Birgit Breuel.

Courtaulds closes plant

Courtaulds is to close its Water Soluble Polymers business, based in Derby. The unit, which produces additives for food and other products, employs 70 people.

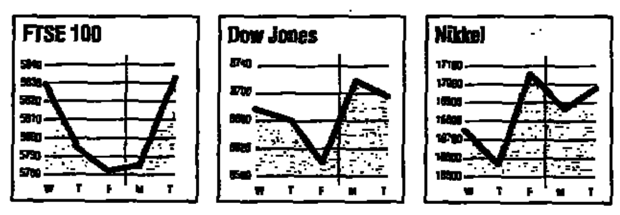
TOURIST RATES

Australia (dollars)	2.4017	Italy (lira)	2,912
Austria (schillings)	20.66	Japan (yen)	212.96
Belgium (francs)	60.64	Malta (lira)	0.6373
Canada ($)	2.2981	Netherlands (guilders)	3.3116
Cyprus (pounds)	0.8558	Norway (kroner)	12.35
Denmark (kroner)	11.28	Portugal (escudos)	299.41
Finland (markka)	8.9903	Spain (pesetas)	248.67
France (francs)	9.8565	South Africa (rand)	7.9112
Germany (marks)	2.9484	Sweden (kroner)	12.93
Greece (drachmae)	513.05	Switzerland (francs)	2.4049
Hong Kong ($)	12.53	Turkey (lira)	379,302
Ireland (punts)	1.1732	USA ($)	1.6297

Source: Thomas Cook
Rates for indication purposes only

A day in the markets

STOCK MARKETS

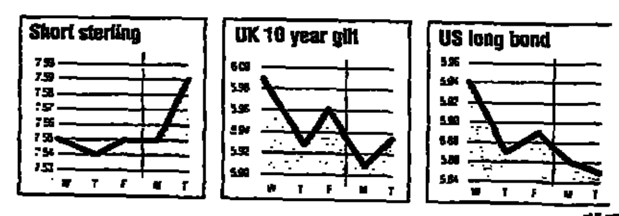


*Dow Jones index and graph at 5pm

Indices

Index	Close	Change	Change(%)	52 wk high	52 wk low	Yield(%)
FTSE 100	5834.90	49.80	0.86	5861.90	4189.10	3.36
FTSE 250	5403.10	35.30	0.66	5369.10	4384.20	2.98
FTSE 350	2802.40	22.80	0.82	2803.20	2075.70	3.29
FTSE All Share	2731.91	21.30	0.79	2729.25	2056.07	3.26
FTSE SmallCap	2566.00	6.10	0.24	2559.90	2182.10	2.88
FTSE Fledgling	1392.70	1.10	0.08	1391.60	1225.20	3.25
FTSE AIM	1046.00	3.60	0.35	1127.80	965.90	1.05
Dow Jones	8692.69	-23.91	-0.27	8718.85	6356.78	1.61
Nikkei	16997.20	136.06	0.81	20910.79	14488.21	0.90
Hang Seng	11255.54	74.00	0.66	16820.31	7909.13	3.40
Dax	4946.68	62.83	1.29	4909.60	3192.33	1.62

INTEREST RATES



at 5 pm

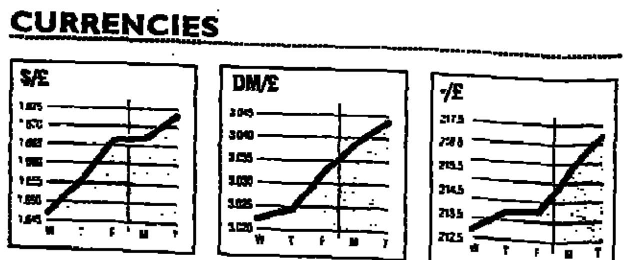
Money Market Rates / **Bond Yields**

Index	3 month	1 yr chg	1 year	1 yr chg	10 year	1 yr chg	Long bond	1 yr chg
UK	7.55	1.30	7.52	0.79	5.94	-1.51	5.87	-1.74
US	5.69	0.09	5.78	-0.31	5.52	-1.19	5.85	-1.10
Japan	0.70	0.18	0.68	0.10	1.77	-0.65	2.36	-0.69
Germany	3.51	0.23	3.73	0.34	4.87	-0.97	5.44	-1.19

MAIN PRICE CHANGES

Rises	Price (p)	Chg (p)	% Chge	Falls	Price (p)	Chg (p)	% Chge
M&G Group	1780.00	130.00	7.88	Wolseley	451.50	-53.50	-10.59
Newsquest	290.50	19.50	7.20	Nycomed	2100.00	-145.00	-6.46
Colt Telecom	1630.00	95.00	6.19	Sage Group	1272.50	-72.50	-5.39
Tamac	116.50	6.50	5.91	Rolls-Royce	268.00	-14.00	-4.96

CURRENCIES



Pound

	at 5pm	Change	Yr Ago
Dollar	1.6736	+0.66c	1.5895
D-Mark	3.0440	+0.52pf	2.6893
Yen	216.68	+¥0.84	196.65
£ index	106.80	0.00	96.10

Dollar

	at 5pm	Change	Yr Ago
Sterling	0.5975	-0.24p	0.6291
D-Mark	1.8183	-0.28pf	1.6904
Yen	129.46	+¥0.00	123.80
$ Index	108.80	-0.20	104.50

OTHER INDICATORS

*at 5 pm	Close	Chg	Yr Ago
Brent Oil ($)	11.02	-0.59	19.06
Gold ($)	294.05	-0.10	347.75
Silver ($)	6.07	-0.04	5.26

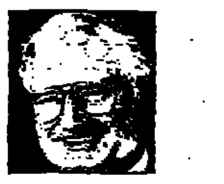
	Index	Chg	Yr ago	Next figs
GDP	114.10	2.90	110.88	Feb
RPI	160.30	3.40	155.03	Feb
Base Rates		7.25	6.00	

www.bloomberg.com/uk
source: Bloomberg

I can't understand why you have moved it   Bovie: Because our research shows that the

Investors bet on Ladbroke merger

MARKET REPORT



DEREK PAIN

As the Chancellor, Gordon Brown, addressed the nation many in the stock market were placing bets on **Ladbroke**, the bookie and hotelier.

Perhaps the famous Cheltenham race meeting helped concentrate minds but, in heavy trading, the shares raced ahead 16.75p to a 337.75p peak.

Takeover talk was in the air. Although recent developments and noises in the US seem to reduce the chance of a *deal with Hilton Hotel* Corporation there still remains a sneaking feeling that Ladbroke will snuggle up to the American group.

Ladbroke owns the international Hilton hotel spread. HHC takes in the brand's US operations.

The two side have discussed their future relationship. Although a merger makes sense it is known that HHC is nervous about the difficulties cross-border deals can create.

One possibility thought to be under consideration is, in effect, a merger of the two hotel portfolios, with both HHC and Ladbroke having stakes in a stand-alone, possibly quoted, Hilton Hotel company.

Footsie was enjoying a gain of around 60 points, after 68.6, when Mr Brown launched into his Budget oration. When he sat down it was showing a 49.8 gain at 5,834.9, another closing high.

Supporting indices stretched to peaks with, once again, investors bargain hunting among the market's under card. The small mid cap index reached 5,403.1 and the SmallCap index rose 6.1 to 2,566. Utilities were buoyant with **Thames Water** up 34.5p to 930.5p and **ScottishPower** a further 17.5p to 526p.

Once again financials were in form, helped by a US rumour that **HSBC**, owner of the Midland Bank, was thinking of bidding for the JP Morgan securities house. HSBC fell 32p to 1,853p but the latest merger tremors lifted **Bank of Scotland** 34.5p to 703.5p and **National Westminster Bank** 44p to 1,095p.

Wolseley, the building materials group, suffered a sharp fall, 53.5p to 451.5p, as analysts' downgrading following the interim trading report. **Bookers**, the cash and carry chain, fell 8p to 241p following the latest profits warning.

British Airways continued to reflect hopes of Brussels clearance for its controversial American Airlines link, gaining 15.5p to 611.5p.

Colt Telecom's remarkable progress went on as the market sensed a takeover bid was inevitable. A US strike is now the expected development. The shares jumped 95p to 1,630p, yet another peak. BT, on the back of SBC Warburg support, gained 13.5p to 625p

Oriel, the insurance group which has been involved in on-off takeover talks for more than two years, rose 2p to 95.5p. The company said last week it was involved in discussions which could lead to the *sale of all* or part of the business.

Now Dr Mohamed bin Musa al-Yousef, who is closely related with the Oman National Insurance Co, has declared he is interested in no less than 19.44 per cent of the company.

Oman National has had a 9.4 per cent stake for some time. The rest of the Al-Yousef-related *holding* appears to have been acquired in recent weeks.

Newcomers did well. **Oxford Asymmetry**, a biotech services group placed at 290p, soared to 421p in busy trading. It is one of the few pharmaceutical newcomers to be in the black, producing a £2m profit last year.

Cemetone, soon to be called ITE, traded at 72.5p against a 47.5p *cash call*. The company was suspended while it took over ITE, organising exhibitions in the former Soviet Union. ITE is the creation of Laurie Lewis, founder of Blenheim, the exhibition group taken over by United News & Media.

Guardian IT reflected the astonishing strength of the intelligence technology sector this year. Placed at 255p the shares closed on Monday at 411.5p and then went to 435p.

Acorn, the computer group lost some of its recent strength, falling 19p to 153.5p. *Its 38 per cent owned* associate ARM Holdings, a maker of computer chips, is planning a London and New York share listing.

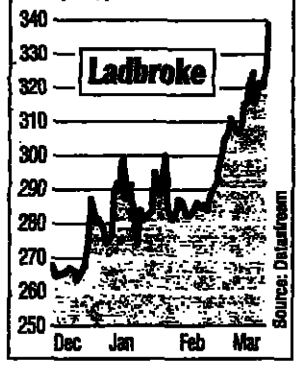
Fibernet, rolling out a national digital network, rose a further 17p to 310p and **Jumbo International**, the old Self-Sealing Systems, put on 3p to 26.5p; the shares have been as high as 36.5p.

Paragon, a financial group, *jumped 47.5p to 210p*. It has become fully listed following an acquisition and cash call. **Little Wynnstay Properties** responded to director buying with a *10p* advance to 145p.

Retailer **Blacks Leisure** fell 19p to 462.5p on the likely delay in the floatation of Sports Division, the sports retailer, and a switch from buy to hold by SG Securities.

Share spotlight

share price, pence



TAKING STOCK

EXPECT corporate action soon at Thomas Jourdan, famed for its Corby trouser press. David Abell, the controversial businessman who used to run the Suter conglomerate, has reported half-year profits of just over £1m and the group has clearly been prepared to hit the acquisition trail. Since arriving, Mr Abell, who with friends obtained control by ousting the former board, has raised £5m through a rights issue. The shares rose 4p to 56.5p.

ENGINEER Ash & Lacy is undervalued, says stockbroker Albert E Sharp. At 167p the shares are on an "overly harsh" 60 per cent discount to the market; 50 per cent to the engineering sector and 30 per cent to the rest of the smaller engineers.

BRITISH Thornton, suspended at 25.5p, is paying £13m, mostly in shares, for Planit, a developer of point-of-sale software. It placed 11 million shares at 20p. Share dealings should resume on 7 April.

Share Price Data

Prices are in sterling except where stated. The yield is the latest twelve months' declared gross dividend as a percentage of the share price. The price/earnings (P/E) ratio is the shareprice divided by last year's earnings per share, excluding extraordinary items but including exceptionals. Other details: Ex rights; x Ex-dividend; a Ex-all; s Suspended; p Partly Paid; np Nil Paid. ^AIM. Gilt Prices are Bloomberg Generics.

Source: Bloomberg

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0891 calls cost 50p per minute.

Seaq volume: 953.5m trades 94,304

Gilts index n/a

Market Leaders: Top 20 volumes

at 5:00pm

Stock	Vol	Stock	Vol	Stock	Vol	Stock	Vol
Millwall	17.41m	Rage Software	6.10m	Hillsdown	4.38m	Dana Petrol	3.50m
Cemetone	12.18m	Emerald Energy	5.52m	Albright& Wilson	4.19m	Eurotunnel wt01	3.40m
Spring Ram Corp	11.16m	Aegis Group	4.85m	Eurotunnel	4.07m	Arjo Wiggins	3.09m
Hawtin	7.55m	Brazilian SM	4.66m	Wiggins Group	3.70m	Coats Viyella	3.02m
MFI Furniture	6.14m	Oxford Asym	4.50m	Stakis PLC	3.50m	Skyepharma	3.00m

FTSE 100 Index hour by hour

Open	5785.1		11:00	5835.7	Up 50.6	14:00	5849.6	Up 64.5
9:00	5821.3	Up 36.2	12:00	5833.2	Up 48.1	15:00	5840.3	Up 55.2
10:00	5823.5	Up 38.4	13:00	5831.2	Up 46.1	16:00	5845.8	Up 60.7
						Close	5834.9	Up 49.8

52 week High Low Stock Price Chg Yld P/E Code

[illegible]

Government Securities

52 week High Low Stock Price Chg Red Yld Code

[illegible]

source: Bloomberg
www.bloomberg.com/uk

Foreign Exchange Rates

Country	Sterling Spot	1 month	3 month	Dollar Spot	1 month	3 month	D-Mark Spot
UK	1.0000			0.5975	0.5985	0.6003	0.3286
Australia	2.4933	2.4900	2.4838	1.4896	1.4902	1.4910	0.8193
Austria	21.415	21.376	21.305	12.796	12.793	12.789	7.0373
Belgium	62.785	62.673	62.181	37.515	37.448	37.326	20.632
Canada	2.3701	2.3643	2.3542	1.4161	1.4150	1.4132	0.7789
Denmark	11.602	11.585	11.497	6.9326	6.9213	6.9013	3.8128
ECU	1.5340	1.5295	1.5213	1.0910	1.0925	1.0950	0.8139
Finland	9.2366	9.2035	9.1268	5.5190	5.5081	5.4786	3.0353
France	10.202	10.196	10.101	6.0957	6.0841	6.0635	3.3525
Germany	3.0430	3.0324	3.0129	1.8169	1.8148	1.8086	1.0000
Greece	535.40	538.10	541.27	319.91	322.03	324.91	175.94
Hong Kong	12.965	12.944	12.933	7.7465	7.7466	7.7635	4.2604
Ireland	1.2142	1.2126	1.2069	1.3764	1.3780	1.3781	0.7581
Italy	2999.9	2994.8	2986.1	1792.5	1792.3	1792.5	985.84
Japan	216.69	215.38	212.96	129.48	128.90	127.84	71.209
Malaysia	6.3597	6.3729	6.4079	3.8000	3.8140	3.8465	2.0899
Mexico	14.283			8.5345			4.6938
Netherlands	3.4321	3.4196	3.3973	2.0508	2.0466	2.0393	1.1279
New Zealand	2.8719	2.8661	2.8519	0.5828	1.7153	1.7119	0.3205
Norway	12.738	12.698	12.628	7.6110	7.5993	7.5805	4.1859
Portugal	311.61	310.85	309.26	186.19	186.03	185.65	102.40
Saudi Arabia	6.2772	6.2704	6.2577	3.7507	3.7527	3.7564	2.0628
Singapore	2.6903	2.6843	2.6785	1.6075	1.6065	1.6079	0.8841
South Africa	8.3136	8.3581	8.4403	4.9675	5.0021	5.0665	2.7320
Spain	258.20	257.59	256.23	154.28	154.16	153.81	84.851
Sweden	13.306	13.270	13.207	7.9503	7.9418	7.9280	4.3725
Switzerland	2.4768	2.4630	2.4375	1.4800	1.4740	1.4632	0.8139
US	1.6736			1.0000			0.5500

Other Spot Rates

Country	Sterling	Dollar	Country	Sterling	Dollar
Argentina	1.6736	1.0000	Oman	0.6443	0.3850
Brazil	1.8964	1.1331	Pakistan	73.638	44.000
China	13.856	8.2791	Philippines	65.605	39.200
Czech Rep	56.635	33.840	Poland	5.7639	3.4440
Egypt	5.6979	3.4046	Qatar	6.0927	3.6405
Ghana	3850.1	2300.5	Russia	10188.9	6088.0
Hungary	351.61	210.09	South Korea	2370.2	1416.20
India	66.157	39.530	Taiwan	54.250	32.415
Indonesia	17028.9	10175.0	Thailand	67.078	40.080
Kuwait	0.5110	0.3053	Turkey	395599	236370
Nigeria	141.42	84.500	UAE	6.1463	3.6725

Interest Rates

UK		Germany		US		Japan	
Base	7.25%	Discount	2.50%	Prime	8.50%	Discount	0.50%
France		Lombard	4.50%	Discount	5.00%	Belgium	
Intervention	3.30%	Canada		Fed Funds	5.56%	Discount	2.75%
Italy		Prime	6.50%	Spain		Central	3.30%
Discount	5.50%	Discount	5.00%	10-d Repo	4.50%	Switzerland	
Netherlands		Denmark		Sweden		Discount	1.00%
SpAdvance	3.30%	Discount	3.50%	Repo(Ave)	4.35%	Lombard	3.00%

Bond Yields

Country	3 mth	chg	1 yr	chg	2 yr	chg	5 yr	chg	10 yr	chg
Australia	4.87	-0.01	4.79	0.03	5.01	0.02	5.38	0.02	5.77	0.00
Belgium	3.59	0.00	3.74	0.01	4.09	-0.01	4.42	-0.01	4.98	-0.01
Canada	4.52	0.03	4.96	0.03	4.93	0.00	5.16	0.00	5.37	0.00
ECU	4.22	0.00	4.22	0.02	4.13	-0.01	4.54	-0.02	4.95	-0.01
France	0.00	0.00	3.45	0.00	3.93	0.01	4.47	0.00	4.91	-0.01
Germany	3.51	0.01	3.72	0.00	3.90	0.00	4.43	0.00	4.87	0.00
Italy	5.36	-0.06	4.68	0.01	4.61	0.02	4.76	0.02	5.18	0.01
Japan	0.43	0.00	0.48	0.02	0.59	0.01	1.15	0.01	1.77	0.00
N'lands	3.45	-0.01	3.73	-0.01	4.01	0.00	4.42	0.00	4.91	0.00
Spain	4.25	-0.05	4.00	-0.05	4.20	0.00	4.57	0.01	5.07	0.01
Sweden	4.37	0.00	4.62	-0.01	4.82	-0.01	4.99	-0.04	5.29	-0.04
S'land	1.13	0.04	1.41	0.05	1.58	0.05	1.96	0.02	2.79	0.04
UK	7.00	0.00	7.32	0.00	6.82	0.10	6.29	0.07	5.95	0.05
US	5.00	0.05	5.05	0.00	5.47	0.01	5.50	-0.01	5.53	-0.01

Money Market Rates

	Overnight		1 week		1 month		3 months		6 months		1 year	
Treasury Bills					7.15	7.00	7.15	7.00				
LIBOR												
Domestic Depos	7.31	7.44	7.31	7.44	7.41	7.47	7.44	7.50	7.47	7.53	7.53	7.56
Eurosterling Deps	7.38	7.50	7.41	7.47	7.45	7.47	7.47	7.53	7.50	7.56	7.50	7.56
Eligible Bank Bills					7.24	7.18	7.26	7.21	7.27	7.22		
Sterling CDs					7.44	7.38	7.46	7.40	7.48	7.40	7.44	7.38
Eurodollar CDs					5.60		5.61		5.64			
ECU Deposits					4.09	4.22	4.09	4.22	4.09	4.22		

Liffe Financial Futures

Contract		Settlement	High	Low	Est floor volume	Open interest
Long Gilt	Jun-98	108.00	108.63	107.78	69582.00	201205.00
5 Yr Gilt	Jun-98	102.25	102.68	102.20	1388.00	11055.00
German Bund	Jun-98	107.87	107.91	107.63	88512.00	210929.00
Italian Bond	Jun-98	119.16	119.40	119.15	29799.00	133285.00
Japan Govt Bd	Jun-98	130.76	130.79	130.74	861.00	0.00
3 Mth Sterling	Mar-98	92.41	92.46	92.41	15162.00	100941.00
	Jun-98	92.43	92.54	92.41	39833.00	159961.00
3 Mth Euromark	Mar-98	96.50	96.50	96.50	9487.00	284655.00
	Jun-98	96.38	96.49	96.38	39092.00	419820.00
3 Mth Eurolira	Mar-98	94.34	94.37	94.33	4691.00	82133.00
	Jun-98	95.22	95.28	95.22	34895.00	254983.00
3 Mth Euroyen	Jun-98	99.29	–	–	–	0.00
3 Mth Euroswiss	Mar-98	98.92	98.93	98.90	3189.00	55786.00
	Jun-98	98.59	98.64	98.58	17868.00	57054.00
3 Mth ECU	Mar-98	95.78	95.79	95.76	676.00	7801.00
	Mar-98	95.86	95.87	95.85	784.00	9285.00
FTSE 100	Mar-98	5838.00	5861.00	5807.00	18197.00	35613.00

Liffe FTSE 100 Index Option

Settlement Price: 5834.90

Series	Mar Call	Imp Vol	Put	Imp Vol	Apr Call	Put	May Call	Put	Jun Call	Put
5750	159	33	8	28	240	68	293	109	359	149
5800	115	29	14	21	204	81	260	126	328	167
5850	76	28	26	20	172	100	231	146	296	188
5900	44	29	46	19	142	121	201	167	269	207

Commodity Indices

Goldman Sachs 5:30pm

	Base date	Last	Chg	%chg	31 Dec	%chgYTD
Index	1970=100	157.46	-1.11	-0.70	215.26	-26.85
Agricultural	1970=100	224.48	1.30	0.58	231.23	-2.92
Energy	1983=100	50.84	-0.93	-1.79	85.86	-40.79
Ind Metals	1977=100	153.89	0.00	0.00	168.79	-8.83
Livestock	1970=100	173.09	-0.07	-0.04	191.03	-9.39
Prec Metals	1973=100	397.42	-2.62	-0.66	463.54	-14.26

Energy

* prices at 5:30pm

Brent Crude($/barrel) IPE	Close	Chg	Vol	Gas oil($/tonne) IPE	Close	Chg	Vol	WTI Crude($/barrel) NYM	Last	Chg	Products($/tonne) Spot CIF NW Eur	
Apr	12.31	0.00	7690	Apr	115.00	-5.25	5954	Apr	12.97	-0.34	Gasoline 95	140.00
May	12.02	-0.37	18766	May	117.50	-5.25	3553	May	13.32	-0.37	Naphtha	131.00
Jun	12.44	-0.30	6838	Jun	120.50	-5.50	1903	Jun	13.72	-0.31	Gasoil	117.00
								Jul	14.17	-0.31	Fuel Oil (3.5%s)	62.50

Industrial Metals

LME ($/tonne)	Cash		Chg	3 month		Chg	LME stocks	Chg
Aluminium HG	1451	1452	5.50	1475.5	1478.5	7.5	552450	-3675
Aluminium Alloy	1293	1298	33.00	1320	1325	33	44480	820
Copper A	1780.5	1781.5	-11.60	1816	1817	-13	355025	-1400
Lead	556	557	-1.00	556	557	1	103700	-475
Nickel	5500	5510	70.00	5590	5600	70	64890	156
Tin	5470	5480	-40.00	5430	5440	-30	8695	-160
Zinc	1068.5	1069.5	26.50	1094	1095	26	475275	-1450

Precious Metals

pm fix/$ per oz		Day's chg	Year's chg	pm fix/£ per oz		Day's chg	Year's chg	Coins ($)	Day's trade	Yr's chg
Platinum	397.00	-3.00	16.00	Platinum	237.30	-3.25	-0.75	Krugrands	292.05	-54.20
Palladium	276.00	-4.00	124.00	Palladium	165.00	-3.35	69.50	Sovs	68.63	
Silver	6.07	-0.04	0.82	Silver	3.63	-0.03	0.33	Nobles	392.55	
Gold	293.80	-0.40	-57.80					Maple Leaf	306.05	-55.95

Agricultural

* at 5:30pm

Cocoa LIFFE	£/tonne	Coffee LIFFE	$/tonne	Barley LIFFE	£/tonne	Potatoes LIFFE	£/tonne	Lge Potatoes ATA	$/25k kg
Mar98	1057.00	Mar98	1701.00	Mar98	74.00	Mar98	68.00	Apr98	658.50
May98	1069.00	May98	1717.00	May98	75.50	Apr98	61.00	May98	657.75
Jul98	1082.00	Jul98	1689.00	Sep98	73.75	May98	70.00	Jun98	660.50
Vol:	2423	Vol:	5083	Vol:	10	Vol:	60	Vol:	39404

White Sugar* LIFFE	$/tonne	Freight LIFFE	$10/idx pt	Wheat LIFFE	$/tonne	Corn* CBOT	Cents/bshl	Soya Beans* CBOT	$/5k bshls
Mar98	278.00	Apr98	1080.00	Mar98	74.50	Mar98	267.25	Mar98	20.20
May98	267.00	Jul98	985.00	May98	78.95	May98	274.00	May98	22.00
Aug98	268.00	Oct98	1105.00	Jul98	78.00	Jul98	280.25	Jul98	23.50
Vol:	2196	Vol:	78	Vol:	331	Vol:	63991	Vol:	398

100 Largest Insurance Funds

Ramprakash becomes the renaissance man

Derek Pringle questions the wisdom of adding Test heroes Ramprakash and Fraser to the one-day international squad

FORM can sometimes be a distorting mirror, accentuating one aspect of a player's game, while hiding another. For the selectors, it is a yardstick that often seems the fairest way to judge between players. Yet fairness, as England will no doubt point out following the heavy rain that denied them a chance of victory in Barbados, is not always a reliable currency in sport and form horses tend to provide just as many losers as winners.

The selection of Mark Ramprakash and Angus Fraser for England's one-day squad, scheduled to play five limited-over internationals after the final Test, are two such picks. But if their selections will have helped the Middlesex pair to get over the disappointments of the last Test, the fact that neither were considered for Sharjah, questions once more the wisdom of picking those performing in the Test arena for the hurly-burly of one-day cricket.

For Ramprakash, the involvement will be confirmation that he is now a wanted commodity. The last three weeks have seen a revelation in the Middlesex captain's game. Somewhere between The Oval and Georgetown, Ramprakash has been transformed from precocious, hot-tempered underachiever, to someone resembling Bjorn Borg on valium.

When changes of that magnitude a occur, the selectors are right to include him, despite another modest record and a top one-day score lower than Fraser's.

Nevertheless, in keeping with David Lloyd's preference for multi-dimensional players, his qualities as a fielder as well as his recent showings as an off-spinner, are an asset that may eventually outweigh his present renaissance with the bat – a rebirth vividly witnessed at the Kensington Oval last Saturday when he scored his maiden Test century.

"The way he's played here has been quite exceptional," said David Graveney, the chairman of selectors after the one-day squad was announced. "He's also showed a side of his game that has surprised many, with his bowling."

But if Ramprakash's selection feels right, the choice of Fraser appears wholly inappropriate. As a bowler who has provided England with a cutting edge on the spicy tracks of Trinidad and Guyana, Fraser has undoubtedly done an outstanding job.

He has also bowled a lot of overs, though the need for rest before the summer series against South Africa is far less a reason for excluding him than his one-dimensional role as a specialist bowler. At his time of life, Fraser is going to want to play as often as possible and as the man himself said upon hearing of his selection: "I'd rather spend three weeks out here than go to Portugal for pre-season with Middlesex."

Fraser is a classic case of where the skills required at Test level can actually prove to be a disadvantage in the shorter game. Lacking a well-disguised slower ball or enough pace to bounce it up into the batsman's rib cage Fraser is likely to be exposed if the pitches are flat, and fans of the "Crash-Bang-Wallop" starts to one-day matches, will relish his duels with Philo Wallace almost as much as the batsman.

If it does not make much sense, Fraser's inclusion is not the only questionable decision, and news that John Emburey, the team's bowling coach, is to leave the tour before the one-day matches, is another that appears misguided.

Emburey has many qualities as a coach, but his prowess as a one-day bowler will not be surpassed in a hurry. As England have three off-spinners in their one-day party – who would all surely benefit from his expertise – his departure at the behest of his county, Northamptonshire, where he is first-team coach, is yet another case of the tail wagging the dog at England's expense.

Unless that stops soon, there is a real danger that the England teams may never quite fulfil their potential.

ENGLAND SQUAD (for one-day internationals): Mike Atherton (capt), Dougie Brown, Robert Croft, Mark Ealham, Matthew Fleming, Dean Headley, Graeme Hick, Adam Hollioake, Ben Hollioake, Angus Fraser, Nick Knight, Mark Ramprakash, Jack Russell, Alec Stewart, Graham Thorpe.

West Indies call up Rose and Murray

THE West Indies have dropped wicketkeeper David Williams and pace bowler Ian Bishop for the sixth and final Test which starts in St John's, Antigua, on Friday. They have been replaced in a squad of 13 by the Jamaican fast bowler Franklyn Rose and wicketkeeper Junior Murray of the Windward Islands. The West Indies lead the series 2-1.

WEST INDIES SQUAD: Brian Lara (capt), Clayton Lambert, Philo Wallace, Carl Hooper, Shivnarine Chanderpaul, Jimmy Adams, Roland Holder, Junior Murray (wkt), Curtly Ambrose, Franklyn Rose, Nixon McLean, Courtney Walsh, Dinanath Ramnarine.

Mark Ramprakash's emergence as a multi-dimensional player has earned him a place in the England one-day international squad
Photograph: David Ashdown

Mather may miss eight weeks

Rugby League

By Dave Hadfield

CASTLEFORD fear they could be without their centre, Barrie-Jon Mather, for eight weeks with a fractured jaw.

Mather was felled by a blow for which Sheffield's Keith Senior will face a disciplinary hearing tomorrow. Meanwhile, his jaw remains too swollen for doctors to be sure whether there is a break.

"If there is, he will miss our opening Super League matches," a club spokesman said. "It doesn't change our attitude to the circumstances of the injury, but it would be a major blow to be without one of our trump cards."

Sheffield's Silk Cut Challenge Cup semi-final against Salford will be staged at Headingley a week on Saturday. The Rugby League has decided against taking the London-Wigan semi-final the next day to a new venue in the Midlands, and it will be played at Huddersfield.

"Our strategy is only to take major matches to development areas where we have full-time personnel working at grassroots level to raise public awareness," the League's acting chief executive, Neil Tunnicliffe, said.

Amateur clubs are being offered the prospect of joining the Rugby League. The First and Second Division Association has invited applications from clubs who aspire to play at a higher level, with those from outside the game's traditional areas particularly welcome.

The plan is for the present system of 11 clubs in the First Division and eight in the Second to be replaced by a First Division of 14 sides and a Second of 12 or 14. Hemel Hempstead are obvious candidates, while FASDA has said it would welcome an application from Blackpool, who announced that they would fold after failing to win back their place in the League.

Whether leading amateur clubs will be willing to switch to a summer season and compete against professional sides with News Corporation funding is uncertain, however. The response to the invitation at this week's meeting of the National Conference – the amateur game's élite competition – was described as "lukewarm".

Birkdale backtracks over the use of buggy

Golf

By Andy Farrell

THE sound of a golf cart's alarm warning – for when it is reversing – could be heard at Royal Birkdale yesterday as the Royal & Ancient backtracked on its earlier strident position on the use of buggies in the Open Championship.

Casey Martin, the American golfer who suffers from a degenerative circulatory disorder in his lower right leg, might still be able to use a cart if he enters the Open. Martin won a court case in America to use a buggy on the US Tour and has been told by the USGA that he can also ride one should he qualify for the US Open.

Michael Bonallack, secretary of the R&A, initially ruled out a similar move at the Open but now admits the club are taking legal advice. A clause in the regulations allowing officials to offer lifts to players in exceptional circumstances, as when they have to go back to the tee after losing a ball, could be applied to Martin.

"If and when he enters it will be up to the Championship Committee to decide whether they will invoke that clause," Bonallack said.

"The general policy is that players must walk. The matter has been discussed and that is the feeling, but we are taking advice on the matter. Everyone has great sympathy for Casey, but one of the problems is where do you stop? If you allow one to have a buggy, you could have a lot of players producing doctors' certificates. In any case, it is logistically almost impossible to get a buggy round this course."

Another of Bonallack's concerns is how easy it would be to manoeuvre a buggy through the sand dunes at Birkdale, where all 18 greens have been successfully rebuilt since Australian Ian Baker-Finch won the Open at the Lancashire links in 1991.

Having received a three-year exemption to the US Open, allowing him to extend his streak of consecutive majors past the 150 mark, it looks likely that Jack Nicklaus will continue to support the Open. "I hope his hips hold up and he doesn't ask for a buggy," Bonallack said.

Cider cash sets Bath up for next round

Rugby Union

By Chris Hewett

Professional rugby players may be a puritanical lot compared to their alcohol-soaked predecessors – for beer bottles in the hotel room, read diet sheets in the sauna – but the latest upturn in the fortunes of Bath appears inextricably linked to the demon booze. Less than two months after winning a European Championship sponsored by Heineken (the lager people), the West countrymen yesterday signalled the end of their £1m deal with Teachers (the whisky people) by clinching a three-year agreement with Blackthorn (the cider people) worth a cool £2m. Drinks all round at The Rec, then.

Given that Bath are already financed to the tune of £2m-plus by Andrew Brownsword, their local jet-setting tycoon, they can now boast unrivalled spending power and will almost certainly raid the transfer market this summer in an effort to bolster their squad in several key areas. They have already declared an interest in Neil Jenkins, the Welsh international stand-off, and will also go hunting for a top-class scrum-half, at least one wing forward and a couple of locks.

More urgent still, however, is their search for a venue capable of accommodating at least 15,000 spectators. The Bath board will use some of the new money to underpin development plans at their current council-owned pitch, but if the local politicians continue to obstruct their ambitions, they will either commit themselves to building a new, all-seater stadium or negotiate a ground-share outside the city.

As if to prove that things are suddenly looking up for a club deep in the doldrums as recently as early January, the Bath left wing, Adedayo Adebayo, was yesterday called into the England squad for this weekend's Calcutta Cup match with Scotland. Adebayo was dropped from the Test side after the autumn international with New Zealand at Old Trafford, but injuries to both David Rees and Tony Underwood have opened the door once again.

Rees strained a muscle in his groin during Sale's Premiership victory over Harlequins at the weekend and is considered a major doubt for Murrayfield. Underwood has a more realistic chance of shaking off the effects of a twisted knee, but continues to give cause for concern.

Meanwhile, four Bath youngsters have been named in the England Under-21 side to face the Scots in Edinburgh on Friday. Chris Horsman, happily recovered from testicular cancer after an extensive course of chemotherapy, plays at loose-head prop while Andy Long, a Test debutant against Australia last November, captains the side from hooker. Iain Balshaw and Jon Prichard complete the club contingent at full-back and centre respectively.

Huntingdon

HYPERION
1.50 Bigwig 2.20 Lord Richfield 2.55 Bay Lough 3.25 No Pattern 4.05 Royal Arctic 4.40 Sir Dante 5.15 Chief Red Nose

GOING: Good

Newton Abbot

HYPERION
1.55 Miss Diskin 2.25 Cool As A Cucumber 3.05 Celtic Park 3.45 Ticket To The Moon 4.20 Rich Tycoon 4.55 Who Am I 5.30 Shahrani

Today's fixtures

Football

7.30 unless stated

EUROPEAN CUP
QUARTER-FINALS SECOND LEG
Bor Dortmund (0) v B Munich (0) (7.45)
Dynamo Kiev (1) v Juventus (1) (7.45)
Man Utd (0) v Monaco (0) (7.45)
R Madrid (1) v B Leverkusen (1) (7.45)

FA CARLING PREMIERSHIP
Newcastle v Crystal Palace (7.45)

NATIONWIDE FOOTBALL LEAGUE
FIRST DIVISION
Swindon v Wolves (7.45)

GM VAUXHALL CONFERENCE
Gateshead v Kidderminster (7.45)

TENNENTS SCOTTISH CUP
FIFTH-ROUND REPLAY
Dundee v Rangers (7.45)

RYMAN LEAGUE Premier Division: Oxford City v Walton & Hersham (7.45). First Division: Croydon v Barton Rovers; Molesey v Staines. Second Division: Cheshunt v Horsham.

UNIBOND LEAGUE Premier Division: Radcliffe Borough v Guiseley. First Division: Great Harwood v Witton Albion.

DR MARTENS LEAGUE Premier Division: St Leonards v Halesowen (7.45). Midland Division: Raunds v Blakenall; Solihull Boro v Bilston. Southern Division: Dartford v Tonbridge.

UHLSPORT UNITED COUNTIES LEAGUE Premier Division: Spalding v Potton.

SCREWFIX DIRECT LEAGUE Premier Division: Bridport v Elmore.

ARNOTT INSURANCE NORTHERN LEAGUE First Division: Durham City v Stockton; Northallerton v Billingham Town.

NORTHERN COUNTIES EAST League Premier Division: Hallam v North Ferriby; Maltby MW v Hucknall.

NORTH WEST COUNTIES LEAGUE First Division: St Helens v Atherton LR.

JEWSON EASTERN LEAGUE Premier Division: Soham v Sudbury Town.

IRISH LEAGUE COCA-COLA Floodlit Cup semi-final: Ballymena v Cliftonville (at Seaview).

PONTINS LEAGUE Premier Division: Leeds v Birmingham (7.0) (at Elland Road). First Division: Oldham v Grimsby (7.0). Second Division: Rochdale v Barnsley (7.0); Shrewsbury v Bradford (7.0); Stockport v Carlisle (7.0) (at Hyde United FC); Wrexham v York (7.0). Third Division: Chester v Wigan (7.0).

AVON INSURANCE COMBINATION First Division: Ipswich v West Ham (7.0); Watford v Portsmouth (at Northwood FC); Wimbledon v Brighton (2.0) (at Plough Lane).

Rugby Union

WELSH NATIONAL LEAGUE First Division: Newbridge v Aberavon (7.0).

HART GILMORE NORTH MIDLANDS CHAMPIONSHIP: Gtr Birmingham v Shropshire (7.30) (at Old Saltleians).

Basketball

BUDWEISER LEAGUE: Manchester Giants v Watford Royals (7.30); Worthing Bears v Thames Valley Tigers (8.0).

Speedway

CHALLENGE: King's Lynn v Oxford (7.45).

Other sports

BOWLS: Women's British Championships (Darlington).

Weekend fixtures and pools forecast

Nationwide League First Division

1 Birmingham v Nottm Forest ... X
2 Bury v Oxford ... 1
3 Crewe v Charlton ... 2
4 Ipswich v Wolves ... X
5 Manchester City v Sheffield Utd ... 1
6 Reading v Huddersfield ... 2
7 Stoke City v QPR ... X
8 Sunderland v Portsmouth ... 1
9 Swindon v Stockport ... 1
10 Tranmere v Bradford ... 1
11 West Brom v Port Vale ... 1

Playing Sunday: Middlesbrough v Norwich City.

Nationwide Football League Second Division

12 Blackpool v Gillingham ... X
13 Brentford v Northampton ... 2
14 Bristol Rovers v Preston ... 1
15 Chesterfield v Carlisle ... 1
16 Luton v Grimsby ... 2
17 Millwall v Burnley ... 1
18 Oldham v Watford ... X
19 Plymouth v Bristol City ... 2
20 Southend v Bournemouth ... 1
21 Walsall v Wigan ... 1
22 Wrexham v Wycombe ... X
23 York v Fulham ... 2

Third Division

24 Brighton v Cambridge ... 2
25 Doncaster v Lincoln ... 2
26 Hull v Cardiff ... X
27 Leyton Orient v Darlington ... 1
28 Macclesfield v Shrewsbury ... 1
29 Mansfield v Exeter ... X
30 Notts County v Colchester ... 1
31 Peterborough v Chester ... 1
32 Rochdale v Hartlepool ... X
33 Scunthorpe v Rotherham ... X
34 Swansea v Scarborough ... 2
35 Torquay v Barnet ... 1

Bell's Scottish League Premier Division

36 Aberdeen v Celtic ... 2
37 Dundee United v Hearts ... 2
38 Hibernian v Motherwell ... X
39 Kilmarnock v Dunfermline ... 1
40 Rangers v St Johnstone ... 1

First Division

41 Airdrie v Stirling Albion ... 1
42 Morton v Partick ... 1
43 Raith v Ayr ... 1
44 St Mirren v Falkirk ... 2

Also playing (not on coupons): Hamilton v Dundee.

Second Division

45 Brechin v Clyde ... 2
46 Inverness CT v Queen of the South ... 1
47 Livingston v East Fife ... 1
48 Stenhousemuir v Clydebank ... X
49 Stranraer v Forfar ... 1

Also playing (not on coupons): Third Division: Alloa v Albion, Berwick v Ross County, Cowdenbeath v Queen's Park, Dumbarton v Arbroath, Montrose v East Stirling.

Four draws: Birmingham City v Nottingham Forest, Oldham Athletic v Watford, Hull City v Cardiff City, Stenhousemuir v Clydebank.

Five aways: Charlton Athletic, Northampton Town, Lincoln City, Celtic, Heart of Midlothian.

Ten homes: Sunderland, West Bromwich Albion, Bristol Rovers, Millwall, Notts County, Peterborough United, Torquay United, Rangers, Livingston, Stranraer.

Racing Results

CHELTENHAM

2.00: 1. FRENCH BALLERINA (G Bradley) 10-1; 2. His Song 4-1 fav; 3. Galfiax 16-1. 30 ran. 7, 1. (P Flynn, Co Waterford). Tote: £9.50; £2.90, £2.50, £5.30. Dual

SOUTHWELL

1.20: 1. DEPRECIATE (K Darley) 6-4 fav; 2. Hiltons Executive 8-1; 3. Aljaz 7-1. 10 ran. 2, 3. (T D Barron). Tote: £1.90; £1.10, £2.10, £3.10. Dual Forecast: £10.70. Computer Straight Forecast: £14.67. Tricast: £66.56. Trio: £18.70.

1.50: 1. MR FROSTY (S Sanders) 9-2; 2. Domino Flyer 7-2 jt fav; 3. Mike's Double 10-1. 9 ran. 1¾, ½. 7-2 jt-fav Danbrae. (W Jarvis). Tote: £6.50; £2.60, £1.20, £2.40. Dual Forecast: £28.40. CSF: £20.08. Trio: £31.90.

2.20: 1. DIVINE MISS-P (D Sweeney) 2-1 fav; 2. Bowcliffe Grange 9-1; 3. Rude Awakening 15-2. 9 ran. 1¾, 1¾. (J Cullinan). Tote: £2.20; £1.10, £5.20, £2.80. Dual Forecast: £28.60. CSF: £19.63. Tricast: £106.52. Trio: £53.60.

2.55: 1. MONACO GOLD (M Fenton) 7-2 fav; 2. Our Main Man 7-1; 3. Carrolls Marc 14-1. 12 ran. hd, 15. (D Cosgrove). Tote: £3.40; £2.10, £2.80, £4.10. DF: £36.60. CSF: £27.54. Trio: £58.10. NR: Elamina.

3.25: 1. BE WARNED (A Polli) 10-1; 2. First Maite 14-1; 3. Pleasure Trick 10-1. 12 ran. 5-2 fav Bold Faith. 2½, 1¾. (J Pearce). Tote: £22.20; £3.60, £8.70, £13.20. DF: £46.80. CSF: £157.84. Tricast: £1,368.01. Trio: £181.80.

4.05: 1. TIME OF NIGHT (K Fallon) 13-8 fav; 2. C-Harry 10-1; 3. Leigh Crofter 10-1. 9 ran. nk, 2½. (J L Eyre). Tote: £2.00; £1.10, £5.10, £3.20. DF: £12.40. CSF: £19.33. Trio: £16.90.

4.40: 1. STATE APPROVAL (A McCarthy) 2-1; 2. Mercury 12-1; 3. Head Gardener 8-1. 7 ran. 7-4 fav Quarterstaff (5th). 3½, 3½. (Miss S Wilton). Tote: £1.50; £1.30, £7.30. DF: £11.40. CSF: £25.48.

5.15: 1. TOUGH LEADER (W Ryan) 11-2; 2. Dr Edgar 8-1; 3. Dulcham 4-6 fav. 7 ran. 1¼, 1¼. (B Hanbury). Tote: £8.60; £2.30, £2.10. DF: £25.00. CSF: £49.23.

Placepot: £998.40. Quadpot: £80.10.
Place 6: £165.75. Place 5: £104.44.

SEDGEFIELD

2.25: 1. WEATHER ALERT (A S Smith) 8-1; 2. Polo Pony 4-1 co-fav; 3. Highfield Pet 9-2. 9 ran. 4-1 co-favs Sweet Chateaux & Shelton Abbey. 6, 18. (K Morgan, Melton Mowbray). Tote: £14.70; £2.50, £1.10, £2.60. Dual Forecast: £22.90. Computer Straight Forecast: £37.90. Tricast: £150.08. Trio: £25.60. NR: Twice The Groom.

3.00: 1. CASTLE COIN (A S Smith) evens fav; 2. Hip Hop 16-1; 3. Thom's Hope 25-1. 8 ran. 13, nk. (J H Johnson, Crook). Tote: £2.20; £1.50, £2.50, £4.00. DF: £8.70. CSF: £17.52.

3.35: 1. NOCATCHIM (A S Smith) 5-2; 2. Marlingford 20-1; 3. Seeking Gold 11-2. 5 ran. 13-8 fav River Unshion (unseated rider). 18, 11. (K Morgan, Melton Mowbray). Tote: £3.20; £2.10, £2.70. DF: £81.20. CSF: £28.72.

4.15: 1. HAGAR (Mr M Bradburne) 10-11 fav; 2. Melnik 18-1; 3. Sayin Nowt 11-4. 7 ran. hd, 14. (Ian Emmerson). Tote: £1.60; £1.70, £4.60. Dual Forecast: £19.80. Computer Straight Forecast: £13.49.

4.50: 1. DISTANT HILLS (Mr L Temple) 4-1; 2. Nitaaf 7-1; 3. Wise Gunner 11-8 fav. 10 ran. 14, 7. (J Dodds, Alnwick). Tote: £5.30; £1.60, £2.10, £1.10. DF: £22.80. CSF: £31.79. Trio: £19.30. NR: Quick March.

5.20: 1. SWANDALE FLYER (B Grattan) 11-1; 2. Newbridge Boy 5-1; 3. Lay The Blame 5-2 fav. 11 ran. ½, 14. (N Bycroft, Brandsby). Tote: £10.30; £3.10, £2.50, £1.80. DF: £25.90. CSF: £64.40. Tricast: £170.19. Trio: £129.00.

Placepot: £58.70. Quadpot: £16.00.
Place 6: £44.25. Place 5: £18.94.

● Conor O'Dwyer will bid for his second Cheltenham Gold Cup on Go Ballistic, it was confirmed yesterday. John O'Shea will use the Irish jockey, successful on Imperial Call two years ago, for his charge who finished fourth in the race last year. The trainer has been forced to switch jockeys as Tony Dobbin, who won last month's Jim Ford Chase at Wincanton on Go Ballistic, is injured.

Royal can keep Pipe smoking

Greg Wood selects a tyro to defeat the old guard in today's Champion Chase

THERE is a great deal to be said for the durability of jumping horses, but it is on days like today that you realise there is a downside too. Enjoyable though it is to see your favourites campaigned long enough to build up a huge and devoted following, there inevitably comes a moment when they line up against one another, and the Queen *Mother Champion* Chase at Cheltenham will force punters *to struggle with loyalties that are* divided several times over.

Viking Flagship, *for a start*, is one of the most popular chasers in training, but then so too is One Man, the grey with the mental block about Cheltenham. Add in Klairon Davis, the winner of the race for Ireland two years ago, and many will find themselves having a sentimental saver on half the field.

When it comes to the bulk *of their hard cash, though*, the punters will probably opt for Ask Tom, the huge black chaser who has already beaten sev*eral of today's rivals at least* once this season. Since he also finished second to Martha's Son in this race 12 months ago, the fierce Cheltenham fences will also hold few fears.

Any favourite at the Festival, however, must be subjected to the sternest scrutiny, and while Ask Tom's *chance is obvious*, a narrow defeat of a novice – even a very good one like Kadastrof – is not the form you would wish for from a 5-2 chance. The Champion Chase has produced several unexpected results in recent years and another may be in prospect, the only problem *being which rival to back*.

Klairon Davis saves his best for Cheltenham, but though he is just nine years old, his finest form may be behind him. The same goes for Viking Flagship, while One Man is impossible to back given his desperate record *at the track*, not to mention the fact that this is his first attempt *at the minimum trip since his* hurdling debut in 1992.

The value, then, may lie with **Or Royal** (2.35), winner of the Arkle Trophy a year ago. Although his jumping is not perfect, Martin Pipe's runner has improved with every race and was just five lengths behind Ask Tom at Sandown in December. With a clear round, he *could* be good enough to improve past Tom Tate's runner, *and is a more appealing price*.

One of the hottest favourites of the *entire meeting will* go to post for the Royal & SunAlliance Chase, in the imposing form of Florida Pearl, who won the Bumper at this meeting last year. In just two races over fences, Willie Mullins's chaser has done enough to pick up the "new Arkle" tag which gener*ally dooms any* horse that bears it, but such considerations will *not deter the Irish backers* when it is time to put their money where the hype is.

Prices of around 5-4 about a horse in a Festival novice chase are simply ludicrous, however, and this race in particular has seen some huge gambles go astray down the years. *Florida Pearl must* be opposed with **Fiddling The Facts** (3.55), whose *5lb* mares' allowance could prove decisive.

The principal betting race of the day is the Coral Cup Handicap Hurdle, in which **Lucia Forte** (3.15) should go well now that Kim Bailey, her trainer, has *returned to form, but this is a* race to treat with caution. Not so the Royal & *SunAlliance* Hurdle, however, where there is a lot to like about François Doumen's runner **Erintante** (2.00). An easy winner of her two starts in this country, she too receives a useful allowance and *could surprise French Holly*.

The National Hunt Chase offers a good chance to take a rest from the betting ring, but **Monnaie Forte** (next best 5.05) must go well in the Mildmay of Flete, as should **To Your Honour** (5.40) in the Bumper.

RICHARD EDMONDSON
NAP: Big Strand
(Cheltenham 3.15)
NB: Monnaie Forte
(Cheltenham 5.05)

Queen Mother Champion Chase – 10-year-tale

	1988	89	90	91	92	93	94	95	96	97
Fate of the favourites:	1	1	1	2	1	3	F	1	3	5
Winner's place in betting:	1	1	1	0	1	3	3	1	0	0
Starting prices:	15-8	7-4	11-10	9-1	evens	11-1	4-1	5-2	9-1	9-1
Winning ages:	9	8	9	8	8	8	7	8	7	10

Profit or loss to £1 stake: Favourites +£3.22 Second Favourites -£10.00
Percentage of winners placed 1st, 2nd or 3rd in last race: 90%
Shortest-priced winner: Remittance Man evens (1992)
Longest-priced winner: Deep Sensation 11-1 (1993)
Top trainer: D Nicholson – Viking Flagship (1994 & 1995)
D Elsworth – Barnbrook Again (1989 & 1990)
Top jockey: No jockey has won this race more than once in the past 10 years

First show

Cheltenham — 2.00

Horse	C	H	L	T
French Holly	6-4	2-1	7-4	15-8
Erintante	7-1	11-2	11-2	6-1
Torboy	8-1	8-1	7-1	7-1
Foxchapel King	9-1	7-1	8-1	8-1
Cloone Bridge	9-1	8-1	10-1	8-1
Lady Rebecca	10-1	12-1	10-1	11-1
Samuel Wilderspin	14-1	12-1	16-1	14-1
Mr Markham	16-1	16-1	16-1	16-1
Better Offer	20-1	20-1	22-1	16-1
Borazon	25-1	20-1	16-1	28-1
Strong Tel	25-1	25-1	28-1	25-1
Aboo Hom	33-1	25-1	28-1	25-1
Hailstorm	33-1	25-1	25-1	33-1
Knock Leader	33-1	33-1	33-1	33-1
Andsuephi	66-1	50-1	50-1	66-1
Eishken	66-1	66-1	66-1	50-1
Jazz Track	100-1	100-1	100-1	100-1
Nosam	200-1	150-1	150-1	200-1
Sweet Lord	100-1	150-1	150-1	200-1

Each way, a quarter the odds, places 1, 2, 3
C - Coral, H - William Hill, L - Ladbrokes, T - Tote

Cheltenham — 2.35

Horse	C	H	L	T
Ask Tom	9-4	5-2	5-2	9-4
Klairon Davis	11-4	5-2	5-2	11-4
One Man	9-2	9-2	9-2	4-1
Or Royal	5-1	4-1	9-2	9-2
Viking Flagship	5-1	11-2	5-1	6-1
Lord Dorcet	40-1	40-1	33-1	33-1
Seek The Faith	66-1	66-1	66-1	66-1
Lightening Lad	40-1	66-1	100-1	50-1

Each way, a quarter the odds, places 1, 2, 3
C - Coral, H - William Hill, L - Ladbrokes, T - Tote

Cheltenham — 3.15

Horse	C	H	L	T
Impulsive Dream	8-1	7-1	7-1	8-1
Nocksky	8-1	8-1	8-1	8-1
Royal Marine	13-2	8-1	10-1	8-1
Big Strand	11-1	9-1	10-1	8-1
Lucia Forte	11-1	10-1	9-1	10-1
Top Cees	9-1	10-1	9-1	11-1
Royale Angela	11-1	12-1	10-1	12-1
Like A Lion	14-1	10-1	11-1	11-1
Daraydan	16-1	16-1	12-1	14-1
Khayrawani	16-1	16-1	14-1	16-1
Native-Darrig	16-1	14-1	14-1	16-1
Whip Hand	16-1	16-1	16-1	16-1
Ela Agapi Mou	16-1	16-1	16-1	20-1
Treble Bob	20-1	25-1	16-1	25-1
Allegation	25-1	20-1	28-1	20-1
Runaway Pete	25-1	25-1	28-1	25-1
Far Dawn	25-1	25-1	33-1	25-1
Nordic Breeze	33-1	33-1	33-1	33-1
Green Crusader	66-1	66-1	66-1	66-1
Inn At The Top	50-1	40-1	66-1	40-1
Pealings	50-1	50-1	66-1	50-1

Each way, a quarter the odds, places 1, 2, 3, 4
C - Coral, H - William Hill, L - Ladbrokes, T - Tote

Cheltenham — 3.55

Horse	C	H	L	T
Florida Pearl	11-8	11-10	5-4	11-10
Escartefigue	4-1	4-1	7-2	4-1
Fiddling The Facts	7-2	9-2	4-1	4-1
Ottowa	7-1	7-1	6-1	7-1
Fulip	8-1	7-1	8-1	10-1
Ask The Butler	14-1	20-1	16-1	20-1
Edgemoor Prince	25-1	33-1	33-1	33-1
Eton Gale	25-1	25-1	25-1	33-1
Jolliver	50-1	50-1	33-1	33-1
Lottery Ticket	100-1	100-1	100-1	150-1

Each way, a quarter the odds, places 1, 2, 3
C - Coral, H - William Hill, L - Ladbrokes, T - Tote

Cheltenham — 5.05

Horse	C	H	L	T
Monnaie Forte	4-1	4-1	3-1	7-2
Sparky Gayle	9-2	5-1	5-1	11-2
All The Aces	7-1	11-2	11-2	11-2
Super Coin	6-1	7-1	8-1	6-1
Certainly Strong	8-1	7-1	9-1	5-1
Golden Spinner	10-1	10-1	10-1	9-1
Potter's Bay	8-1	9-1	10-1	10-1
New Co	12-1	11-1	10-1	12-1
Terao	16-1	14-1	14-1	12-1
Trying Again	11-1	14-1	16-1	14-1
Gales Cavalier	20-1	20-1	16-1	16-1
Egypt Mill Prince	33-1	33-1	40-1	33-1
Frazer Island	40-1	33-1	40-1	33-1
Repeat The Dose	150-1	150-1	150-1	150-1

Each way, a quarter the odds, places 1, 2, 3
C - Coral, H - William Hill, L - Ladbrokes, T - Tote

Green finger: An exultant Charlie Swan makes his point to the Cheltenham crowd as Istabraq leaves his rivals toiling in the Champion Hurdle yesterday Photograph: Peter Jay

Irish start with perfect French

By Greg Wood
at Cheltenham

ONE of the more memorable Festival statistics is that five per *cent of all the Guinness drunk* in Britain this week will be drunk at, in and around Cheltenham. This year it will probably be closer to 95 per cent, after an opening day which brought victory for the Irish not just in the Champion Hurdle but the Supreme Novices' Hurdle too.

An Irish win in the race was anticipated – in fact, the visitors took five of the first seven places – but His Song, the 4-1 favourite, was reckoned likely to provide it. Yet he could not respond when French Ballerina, running for just the third time over hurdles, kicked for home and Graham Bradley's mount passed the post seven lengths clear. Pat Flynn's mare received *a quote of 20-1 to win the* Champion itself next year.

"This is very, very sweet," Flynn said. "This is going to be a big night in the Golden Valley [hotel]. I always said she was brilliant. When Brad came in he said she was frighteningly good going down the hill."

The Irish were a nostril away from another winner 35 minutes later, when Hill Society just failed to rein in Champleve in the Arkle Trophy. The judge studied the photograph for 10 minutes before naming Champleve the winner, a result which even his trainer, Martin Pipe, did not expect. "I had no anxious moments because I knew we had been beaten," he said.

Tony Dobbin's Festival finished almost before it had begun. He parted company with Chief's Song in the Arkle and sustained a fracture of his left thumb. He missed a winner as a result, with Paul Carberry deputising on Unguided Missile to give Gordon Richards a *rare* Festival winner. Brian Harding takes over on One Man today, while Richards confirmed that The Grey Monk will be absent from tomorrow's Gold Cup.

Results, page 17

HYPERION'S TV TIPS

CHELTENHAM

2.00: FRENCH HOLLY is very much the one they all have to beat. He is best suited by an easy surface but he has also proved himself on faster going. The only doubt about him is that he takes liberties with his hurdles, but so far that *has not* stopped him oozing class when *winning all of his four outings* this season. Erintante represents a *French yard with a high strike-rate* in this country, though the riding tactics of the trainer's son, Thierry Doumen, are not always admired.

❑❑❑

2.35: OR ROYAL is a spring horse and can take *this by recapturing the* form that won him the Arkle Trophy *here a year ago. This ex-French* roan has lacked sparkle in three runs *on right-handed tracks this season*, but Martin Pipe insists his charge will be better running anti-clockwise today. In this event last year (run in a slightly faster time than the Arkle) *Ask Tom was runner-up, so* his chance must be respected. But Tom Tate's *gelding made a meal of* beating the novice Kadastrof at *Newbury a month* ago *and* Kadastrof's disappointing run in the Arkle yesterday did nothing to enhance Ask Tom's prospects.

❑❑❑

3.15: The drying ground is welcome *news for Amanda Harwood who has* been waiting for faster turf for her **FAR DAWN**. This five-year-old finished third (promoted to second place) to the disqualified Runaway Pete at Kempton last month. Far Dawn was repeatedly hampered in the straight that day. The ground has also come right for **Big Strand**, the last-gasp winner of this prize a year ago on *a similar surface. This* nine-year-old disappointed last time *but this has always been his main* target. **Lucia Forte**, unsuited by the *mud at* Uttoxeter last month, is likely to run on well close home.

❑❑❑

3.55: Florida Pearl had the speed to win the bumper on fast ground here 12 months ago so will prove himself a class act indeed *if* having the stamina to take this 3m1f event *now. Willie Mullins's charge will be* tested to the full though by **FIDDLING THE FACTS**, just about the best novice chaser in Britain on the basis *of successes* at *Lingfield* and Kempton. The mare was then beaten half a length by **Escartefigue** at Chepstow after clouting the final fence. She should gain revenge today, particularly as Escartefigue has yet to prove he appreciates this stiff circuit. **Edgemoor Prince** attracts as a long-shot.

Cheltenham

HYPERION

2.00 French Holly
2.35 OR ROYAL (nap)
3.15 Far Dawn
3.55 Fiddling The Facts (nb)
4.30 Farfadet V
5.05 All The Aces
5.40 Indian Spring

GOING: Good.
● Left-hand, galloping course with stiff fences. Uphill run-in of 240yd.
● Course is one mile north of town off A435. Bus link from Cheltenham Spa rail station (served by Bristol, Birmingham and London, Paddington) two miles away. ADMISSION: Club £60; Tattersalls £25; Courage Enclosure £10. CAR PARK: £5.
● LEADING FESTIVAL TRAINERS: M Pipe — 9 winners from 135 runners gives a success ratio of 6.7%; D Nicholson 7 from 71 (9.9%); E O'Grady 4 from 19 (21.1%); W Mullins 3 from 8 (37.5%).
● LEADING FESTIVAL JOCKEYS: R Dunwoody 6 wins from 49 (12.2%); C Swan 6 from 62 (9.7%); N Williamson 5 from 32 (15.6%); A P McCoy 4 from 35 (11.4%).
● *FAVOURITES: 203 wins in 530 races (38.3%).*
BLINKERED FIRST TIME: Borazon (2.00); Treble Bob (3.15); Terao (5.05).

2.00 ROYAL & SUNALLIANCE NOVICE HURDLE (GRADE 1) (CLASS A) £45,000 added 2m 5f C4

1 11-114 ANDSUEPHI (11) (BF) (Mrs J A Cohen) C Brooks 6 11 7 ... G Bradley
2 1222 BETTER OFFER (34) (Lady Harrison) Mrs A Perrett 6 11 7 ... R Dunwoody
3 -13442 CLOONE BRIDGE (20) (BF) (Mrs K Gillane) A P O'Brien (Ir) 6 11 7 ... C F Swan
4 51 EISHKEN (116) (P J D Pottinger) M Bradstock 6 11 7 ... M A Fitzgerald
5 116 FOXCHAPEL KING (38) (BF) (Dr A J F O'Reilly) M Morris (Ir) 5 11 7 ... C O'Dwyer
6 3-1111 FRENCH HOLLY (34) (D) (K Flood) F Murphy 7 11 7 ... A Thornton
7 642221 HAILSTORM (35) (D) (P E Clinton) D Nicholson 5 11 7 ... A Maguire
8 120211 KNOCK LEADER (26) (A Solomou) M Pipe 6 11 7 ... T J Murphy
9 5-2213 *MR MARKHAM (34) (Felix Rosenstiels Widow & Son) J Gifford 6 11 7* ... P Hide
10 /61-12 NOSAM (116) (N B Mason) N Mason 8 11 7 ... R Garritty
11 6-3211 SAMUEL WILDERSPIN (25) (D) (County Graphix Colour) D Nicholson 6 11 7 ... R Johnson
12 3F-132 *STRONG TEL (25) (D) (Terry Neill) M Pipe 8 11 7* ... R Hughes
13 4-3026 SWEET LORD (11) (BF) (I S Networking Solutions Ltd) M Bradstock 7 11 7 ... P Niven
14 5511 TORBOY (28) (Paul Green) M Pipe 8 11 7 ... A P McCoy
15 -40F11 *ERINTANTE (30) (Jorg Vasicek) F Doumen (Fr) 5 11 2* ... Mr T Doumen
16 111-11 LADY REBECCA (11) (CD) (Kinnersley Optimists) Miss V Williams 6 11 2 ... N Williamson
17 421 ABOO HOM (18) (Kasmac Plc) M Pipe 4 10 12 ... C Maude
18 342213 *BORAZON (29) (M Archer & Miss J Broadhurst) N Twiston-Davies 4 10 12* ... C Llewellyn B
19 282U JAZZ TRACK (13) (M B Jones) M Pipe 4 10 12 ... R Thornton B

– 19 declared –

BETTING: 15-8 French Holly, 6-1 Erintante, 7-1 Torboy, 8-1 Foxchapel King, 9-1 Cloone Bridge, 11-1 Lady Rebecca, 14-1 Samuel Wilderspin, 16-1 Mr Markham, Borazon, 22-1 Better Offer, 25-1 Aboo Hom, Strong Tel, 28-1 Hailstorm, 33-1 others
1997: Istabraq 5 11 7 C F Swan 6-5 fav (A P O'Brien, Ir) 17 ran

FORM GUIDE

FRENCH HOLLY, who missed the Champion Hurdle to wait for this, can extend his unbeaten sequence over timber to five. This is a much more suitable trip for Ferdy Murphy's giant. He beat Grey Shot by 14 lengths in Sandown's Tolworth Hurdle and was not hard pressed to land the odds at Huntingdon despite flattening the final flight. French Holly beat Better Offer and Mr Markham by two lengths and 14 lengths at the lower track and [illegible]

Selection: FRENCH HOLLY

2.35 QUEEN MOTHER CHAMPION CHASE (GRADE 1) (CLASS A) £150,000 added 2m C4

[illegible]

Selection: ASK TOM

3.15 CORAL CUP (HANDICAP HURDLE) (CLASS B) £40,000 added 2m 5f C4

[illegible]

7 411-14 LUCIA FORTE (30) (D) (BF) (Mrs L Farmer) K Bailey 7 10 6 ... Mr R Wakley (3)
8 /03-46 TREBLE BOB (24) (D) (Dr M Smurfit) D Weld (Ir) 6 10 5 ... M A Fitzgerald B
9 211F NOCKSKY (36) (T Neill) L Browne (Ir) 5 10 3 ... R Dunwoody
10 230002 FAR DAWN (19) (P Wiegand) Mrs A Perrett 5 10 2 ... C Maude
11 -31001 ELA AGAPI MOU (19) (D) (Action II) G L Moore 5 10 2 ... A Maguire
12 -2001D RUNAWAY PETE (19) (D) (BF) (J D Smeaden) M Pipe 8 10 2 ... T J Murphy B
13 21112 ROYALE ANGELA (25) (J Neville) J Neville 6 10 0 ... R Johnson
14 00/505 TOP CEES (46) (BF) (Charlton Bloodstock Ltd) Mrs J Ramsden 8 10 0 ... B Fenton
15 11-050 INN AT THE TOP (25) (D) (Mrs S Blakeley) J Turner 6 10 0 ... R Supple
16 234424 NORDIC BREEZE (96) (M B Jones) M Pipe 6 10 0 ... R Hughes V
17 62-442 ROYAL MARINE (46) (BF) (J P McManus) A L Moore (Ir) 6 10 0 ... C O'Dwyer

[illegible]

Selection: TREBLE BOB

3.55 ROYAL & SUNALLIANCE CHASE (GRADE 1) (CLASS A) £75,000 added 3m 1f C4

[illegible]

Selection: ASK THE BUTLER

4.30 NATIONAL HUNT CHASE (AMATEURS) (CLASS B) £25,000 added 4m

[illegible]

FORM GUIDE

Martin Pipe attempts something special here with Farfadet V, a dual winner over hurdles who receives an age allowance and who attempts four miles on his chasing debut. NELSON'S TIPPLE ran second to the smart Boss Doyle at Fairyhouse after falling two fences out at Leopardstown against the same rival. Of Tim Forster's two runners, Wandering Light, who won with 12st at Ludlow last time, seems more suited to the ground than Majors Legacy, who won well at Newbury 12 days ago (soft ground). With Unguided Missile winning here yesterday, *the stable's Committed Schedule may go well after his unlucky* last-fence mishap at Uttoxeter. Now We Know, a winner over 3m 6f at Bangor last time, should go well, along with Tonduff Express, another in-form stayer who has done well in the point-to-point field. Robsand, third last year, may be lacking once more, but Mr Moyland and Kilbby Bank could figure at decent odds.

Selection: NELSON'S TIPPLE

5.05 MILDMAY OF FLETE HANDICAP CHASE (CLASS B) £35,000 added 2m 4f 110yds

[illegible]

Selection: MONNAIE FORTE

5.40 WEATHERBYS CHAMPION BUMPER NH FLAT RACE (CLASS A) £25,000 2m 110yds

[illegible]

Selection: JOE MAC

Ferguson ready to gamble on Giggs

As Manchester United face up to the fatigue factor, their manager may take a risk in Europe tonight. **Glenn Moore** reports

By Glenn Moore

ALEX FERGUSON has already done enough to be spoken of in the same breath as the great post-war club-builders, Sir Matt Busby, Bill Shankly and Jock Stein, but tonight he must prove he is just as good at one-off matches.

Ferguson's Manchester United team go into tonight's European Champions' Cup quarter-final second leg low in confidence and shorn of key personnel. The "job done" satisfaction of a fortnight ago in Monte Carlo has been replaced by a looming fear that, as in 1995, they could end a season full of promise with nothing.

The goalless draw at the Stade Louis II, while creditable, has not necessarily earned United a significant advantage. An away goal is always more valuable than a home score and Monaco's counter-attacking abilities make them potentially more dangerous on their travels than on the Cote D'Azur.

The French champions are also strengthened by the return of prolific striker David Trezeguet whereas United are handicapped by injury. The most serious is to Peter Schmeichel but long-term injury victim Roy Keane is also out along with Gary Pallister. Phil Neville, Nicky Butt, Ronny Johnsen and Ryan Giggs are doubtful.

"Over the last few months we have been travelling around the world," said Phil Neville, "and it catches up on you. Most of these injuries are down to fatigue, it is one of the prices you pay for being at the top and playing so many games."

Giggs was destined to start on the bench but now, it would seem, he may be risked from the start. "Ryan trained this morning and did quite well," said Ferguson at Old Trafford yesterday. "We'll have to wait and see if there's a reaction. If not the question is whether to start with him.

"The balance of the team is better with him. He gives us penetration and he's now maturing into a truly wonderful player, no question about that. Ryan gives us the qualities which are so important if you're going to win big matches."

Without Giggs United are notably diminished as an attacking force – in the six matches he has missed since injuring a hamstring they have scored just four goals.

Not that they were banging them in beforehand. Aside from the home 5-1 FA Cup demolition of Second Division Walsall United had scored eight goals in the previous seven games, half from Giggs. In the 13 matches – not including Walsall – since the 5-3 win at Chelsea on 4 January Andy Cole, Teddy Sheringham and Ole Gunnar Solskjaer have scored four goals between them.

Though Cole, in particular, has missed some good chances this is not entirely their fault, the service has been poor with the team disrupted by first Ferguson's rotation policy then injury.

Now Ferguson must lift his players, after one win in six matches, and devise, with Brian Kidd, the tactics to outwit Jean Tigana. Given his lack of midfielders, one change Ferguson may make is to withdraw Teddy Sheringham and play both Andy Cole and Ole Gunnar Solskjaer in attack. This, at least, should give Sheringham more space than he managed in the first leg and Cole greater support. Gary Neville is expected to captain the side, for the first time, from right-back.

Monaco will be without midfielder Sylvain Legwinski, injured in their weekend defeat to Auxerre, and have a doubt over Victor Ikpeba but John Collins will play after a foot injection.

"It's so finely balanced it could go to extra time and one goal may well be enough," Ferguson said. "The match will probably turn on one moment. It could be a moment of brilliance, or a fluke, or a refereeing decision. It's that close." Ferguson's place in history may depend upon it.

Manchester United's David Beckham (left) is tackled by Monaco's Martin Djetou in the European Cup quarter-final first leg in Monte Carlo Photograph: Mike Egerton/Empics

Asians boost S Africa's 2006 hopes

ASIAN football leaders are preparing to vote against England and Germany in the battle to host the 2006 World Cup.

And the Asian Football Confederation's growing insistence that the finals be rotated among the continents will boost South Africa's hopes of hosting football's biggest tournament.

The AFC general secretary, Peter Velappan, told the AFC executive committee: "It should rightly be Africa's turn in 2006. Europe has staged the World Cup a number of times and should be flexible on this matter."

Manchester City are in the middle of a new power battle, between Mike McDonald and Raymond Donn. McDonald, a City fan, would like to sever his ties with Sheffield United after stepping down as chairman and plans to buy shares from City's leading shareholder Stephen Boler. He has told friends within the game that he expects a positive answer this week.

One of McDonald's key allies is the United director Freddie Pye, a former City vice chairman. Pye is on good terms with Brenda Swales, widow of the former chairman, Peter. She apparently has no interest in keeping her shares and Lee's decision to stand down means they are available. Donn, a Manchester solicitor is also trying to raise money to put in a counter-offer, but time may be against him.

The Queen's Park Rangers manager, Ray Harford, has beaten off competition from Stockport to sign the 21-year-old Manchester City winger Tony Scully for £150,000 deal. Scully has been on loan at Stoke during the last month. City are also allowing two of their younger players out on loan. The defender Rae Ingram is joining Macclesfield for a month, while the midfielder Ray Kelly will spend a similar spell with the Norwegian club, Viking Stavanger.

Chelsea's England's left-back Graeme Le Saux will train for the first time in two weeks today but his player-coach Gianluca Vialli doubts that he will be ready to play in the club's European Cup-Winners' Cup quarter-final against Real Betis at Stamford Bridge tomorrow.

Hristo Stoichkov, the temperamental Bulgarian released by Barcelona at his own request, is looking for a Premiership team to take him on loan for the rest of the season. Stoichkov needs to play at a high level to stay in peak fitness for Bulgaria's World Cup finals squad.

Sunderland are to appeal against the dismissal of Alex Rae at Charlton on Sunday.

The Sheffield Wednesday manager, Ron Atkinson, has set up a £250,000 deal for the Benfica defender Paradao. Derby have lost out in their bid to sign the Belgian international Nico van Kerckhoven from Lierse. Derby offered £1.7m, but gave way to a £2.5m bid from an unnamed German side.

Charity tactic attacked at Newcastle

By Simon Turnbull

For the White House, Washington DC, read the Black and White House, Newcastle. Like the President of the United States, the chairman and vice chairman of Newcastle United Football Club intend to ride out the storm of allegations – in their case sexual and otherwise – that has broken over them.

The sound of silence at St James' Park was once again deafening yesterday. No official comment was forthcoming, more than 48 hours after Sunday newspaper claims that the chairman, Freddie Shepherd, and the vice chairman, Douglas Hall, had, among other things, bragged of their exploits in brothels across the globe, sneered at fans for buying replica shirts at vastly inflated prices and derided the womenfolk of Tyneside as "dogs".

The only response came in a statement via Adidas, which said that Newcastle shirts are made in the UK and not the Far East as claimed and cost "considerably more" than £5 to produce. The £40 charged for each shirt was "well within industry standards".

It emerged, via a source within the club, however, that neither director would be resigning. The source also indicated that a message would be relayed to supporters before tonight's home game with Crystal Palace and that a substantial donation would be made to charity.

The terming of the message as an apology was dismissed by another club official, who neither wished to be named nor be quoted. It is seen from within the shaken corridors of power at St James' Park rather as a statement of explanation.

It remains to be seen which deserving cause will benefit – the Tyneside Federation of Women's Institutes, perhaps, or the local dogs home – and, equally, whether the explanation will assuage the restless natives of Tyneside.

"Well, I'm not happy," Kevin Miles, of the Independent Newcastle United Supporters' Clubs, said. "They won't get out of it by squirming, by weasel words or by making a donation to charity. We're not ready to accept an apology."

But some footsoldiers of the Toon Army are ready to forgive and forget. Steve Wraith, editor of *The Number Nine* fanzine, said: "They should come out an apologise, but I don't think we should put ourselves through the torment of sacking the board."

Shepherd and Hall are, in any case, fireproof. Between them, they own 64 per cent of the club. Nevertheless, the reaction to their alleged doings and sayings will be as crucial as events on the pitch where Newcastle stand just four points above the relegation zone. There is clearly still a crisis at the Black and White House.

Sporting Digest

Record stand sets Pakistan daunting task

Zimbabwe 321 & 302-4 dec
Pakistan 236 & 24-0

A record-breaking fifth-wicket stand of 277 between Murray Goodwin and Andy Flower enabled Zimbabwe to set Pakistan a daunting target of 368 to win the first Test at Queen's Sports Club, Bulawayo yesterday.

They had reduced that target by 24 runs without losing a wicket by the close. But Saeed Anwar was forced to retire hurt on seven after being struck in the box by the fast bowler Heath Streak. With the pace bowler Waqar Younis off the field for the final two sessions because of a badly bruised left foot, Zimbabwe plundered runs at will on an excellent batting surface and declared their second innings closed at 302 for 4.

Goodwin, with an unbeaten 166, and Flower, 100 not out, shared an unbroken stand of 277 to take Zimbabwe to 302 for 4. Goodwin survived just one chance when he was put down on 108 by substitute fielder Mohammad Akram at backward point. Flower, dropped on 57 by the first slip Inzamam-ul-Haq off Shoaib Akhtar, registered his fifth Test century.

Zimbabwe won toss
ZIMBABWE – First Innings 321 (G W Flower 158, H H Streak 53; Waqar Younis 5-109).
PAKISTAN – First Innings 246 (Yousuf Youhana 80; G Whittall 4-63).
ZIMBABWE – Second Innings
(Overnight: 15 for 2)

G W Flower lbw b Waqar Younis	6
M W Goodwin not out	166
*A D R Campbell c Ijaz Ahmed b Waqar	5
†A Flower not out	100
Extras (lb14 nb4 w1)	19
Total (for 4 dec)	302

Fall: 1-0 2-15 3-19 4-25.
Did not bat: G J Whittall, T N Madondo, P A Strang, H H Streak, M Mbangwa.
Bowling (to date): Waqar Younis 11-5-18-2; Shoaib Akhtar 23.2-5-67-2; Azhar Mahmood 24-1-102-0; Ali Naqvi 2-0-11-0; Saqlain Mushtaq 15-0-65-0; Saeed Anwar 4-0-19-0; Inzamam-ul-Haq 1-0-6-0.
PAKISTAN – Second Innings

Saeed Anwar ret hurt	7
Ali Naqvi not out	7
Saqlain Mushtaq not out	6
Extras (lb4)	4
Total (for 0)	24

Bowling (to date): Streak 5-2-11-0; Mbangwa 4-2-5-0; P Strang 3-1-2-0; G Whittall 2-0-2-0; A Whittall 1-1-0-0.
Umpires: I D Robinson and D R Shepherd.

Smith jousts with Frostad

Sailing

OUT OF the blues but heading for the Doldrums, Britain's Silk Cut at last dragged itself into leadership contention yesterday, instead of fighting for scraps in the Whitbread Round the World Race.

Lawrie Smith was pressing Knut Frostad's Innovation Kvaerner as the pair prospered by taking a course closer to the shoreline of Brazil on day four of the 4,750-mile, sixth leg to Fort Lauderdale in Florida. Those in the nine-boat fleet who had taken a more easterly route were hit by rain squalls, calms, and sliding results.

Frostad, with 3,821 miles to go, is just over two miles ahead of Smith as the crews struggle with the heat. "We are sweating like pigs night and day," Frostad reported.

TODAY'S NUMBER

92

The combined number of years accumulated by Joe Bugner, 48, and James "Bonecrusher" Smith, 44, who are due to fight for the vacant World Boxing Federation heavyweight title in June, provided Bugner beats Bob Mirovic in April. The Australian said recently that this will be his last year in the ring.

Basketball

NBA: Charlotte 109 Denver 87; Detroit 103 Miami 90; Utah 102 Minnesota 96; Chicago 88 New Jersey 72; San Antonio 96 Milwaukee 85; Seattle 101 LA Lakers 89.

Billiards

STRACHAN WORLD MATCH PLAY CHAMPIONSHIP (Liverpool) Final: M Russell (Eng) bt P Gilchrist (eng) 8-6.

Boxing

Ray Close, the former European super-middleweight champion, is retiring from the ring after a 10-year career. Close, from Ulster, had lined up an International Boxing Organisation title bout but was forced to withdraw through injury and that proved the final straw. Close twice challenged Chris Eubank for the World Boxing Organisation super-middleweight championship, gaining a draw and losing a split decision in two controversial encounters. He was set for a third shot at Eubank at the beginning of 1995 but after failing a routine brain scan the British Boxing Board of Control revoked his licence. The 29-year-old fighter subsequently passed stringent medical tests in Dublin and gained a Boxing Union of Ireland licence before continuing his career in America, but without any great distinction.

Cricket

Australia have replaced the injured paceman Paul Reiffel with Paul Wilson and named Stuart McGill to join his fellow leg-spinner Shane Warne in their squad of 12 for the second Test against India starting on today. Australia, aiming to level the three-match series after their 179-run defeat in the first Test at Madras, may play both Warne and McGill as well as the off-spinner Gavin Robertson at Eden Gardens, which traditionally offers turn late in the game.

AUSTRALIA (from): M A Taylor (capt), M J Slater, G S Blewett, M E Waugh, S R Waugh, R T Ponting, I A Healy, P Wilson, S K Warne, G Robertson, M S Kasprowicz, S McGill.

INDIA: M Azharuddin (capt), N S Sidhu, N R Mongia, R S Dravid, S R Tendulkar, S C Ganguly, A Kumble, R K Chauhan, J Srinath, Harvinder Singh, Venkatapathy Raju.

Northamptonshire are looking for a new overseas player after Paul Reiffel, the Australian pace bowler, told the county he could not play for them this summer.

Football

Notts County have sold Ian Baraclough, their unsettled midfielder, to Queen's Park Rangers for £50,000.

Plymouth Argyle have been charged with misconduct by the Football Association in connection with alleged irregularities in the running of the club's lottery. The charge follows a police investigation into the Cashline lottery operated by the Second Division club during 1996. Plymouth have 14 days to respond to the FA.

Lincoln City, of the Third Division, have appointed their former player Shane Westley as caretaker manager until the end of the season. The Imps have been without a manager since the dismissal of John Beck on 6 March.

ENGLAND UNDER-18 SQUAD (v France, Uefa qualifying match first leg, Stockport, 25 March): Simonsen (Tranmere), Robinson (Leeds), Griffin (Newcastle), W Brown (Manchester United), Woodgate (Leeds), Fenton (Manchester City), Upson (Arsenal), Ball (Everton), Ormerod (Middlesbrough), R Cooper (Nottingham Forest), Johnson (Crewe), Piercy (Tottenham), Gerrard (Liverpool), Doherty (Bristol City), Cadamarteri (Everton), Campbell (Middlesbrough), Matthews (Leeds), Smith (Leeds).

AVON INSURANCE COMBINATION First Division: Arsenal 1 Tottenham 1.

MONDAY'S LATE RESULTS: GM Vauxhall Conference: Stevenage 4 Slough 2. UniBond League Premier Division: Emley 0 Bamber Bridge 0. Dr Martens League Southern Division: Bashley 2 Havant 0. Winstonlead Kent League First Division: Chatham 2 Greenwich 1. Arnott Insurance Northern League First Division: RTM Newcastle 0 Dunston Federation 2. North West Counties League First Division: Clitheroe 0 Haslingden 3. FAI Harp Lager Cup quarter-final second replay: Shelbourne 2 St Patrick's Athletic 2 (aet; Shelbourne won 5-3 on penalties). Pontins League First Division: Wolves 1 Notts County 1 (at Telford Utd). Third Division: Doncaster Rovers 0 Newcastle Utd 0. League Cup quarter-finals: Blackpool 1 Stockport County 0; Rotherham 1 Barnsley 0. Avon Insurance Combination First Division: Chelsea 1 Crystal Palace 1 (at Kingstonian); Brighton 2 Southampton 2 (at Worthing). Spanish League: Athletic Bilbao 3 Mallorca 1.

Golf

WORLD RANKINGS (US unless stated): 1 T Woods 12.64pts avg; 2 E Els (SA) 10.88; 3 G Norman (Aus) 10.30; 4 D Love III 9.49; 5 C Montgomerie (GB) 8.88; 6 N Price (Zim) 8.87; 7 P Mickelson 8.63; 8 M Ozaki (Japan) 8.32; 9 D Duval 7.63; 10 T Lehman 7.56; 11 J Leonard 7.24; 12 M O'Meara 6.79; 13 V Singh (Fiji) 6.64; 14 B Faxon 6.38; 15 T Watson 6.38; 16 S Hoch 6.33; 17 J Parnevik (Swe) 5.92; 18 S Elkington (Aus) 5.90; 19 L Westwood (GB) 5.53; 20 F Couples 5.51.

Ice hockey

NHL: Washington 2 Phoenix 1; Boston 4 Tampa Bay 3 (ot); Calgary 3 Montreal 3; NY Rangers 5 Ottawa 4; Philadelphia 4 Toronto 1; San Jose 2 Los Angeles 1.

Rugby Union

SCOTLAND UNDER-21 TEAM (v England Under-21, Inverleith, Friday): S Moffat (Rotherham); A Bulloch (West of Scotland), J Mayer (Watsonians), A Dickson (Selkirk), G Caldwell (Currie); C Paterson (Gala), R Sharples (Blackheath); S Paris (Watsonians), C Keenan (Stirling County), G Hoyle (Aberdeen GSFP), J White (Watsonians, capt), G McCallum (Boroughmuir), C Rae (Stirling County), F Gladstone (Loughborough University), J Petrie (Dundee HSFP). Replacements: G Kiddie (Boroughmuir), G Ross (Heriot's FP), R Chrystie (Hawick), J Osborne (Aberdeen GSFP), C Smith (Melrose), A Jacobsen (Preston Lodge FP), J Macley (Glasgow Hawks).

Sailing

Tracy Edwards, the skipper, took a nasty knock to her ribs and has been confined to her bunk with painkillers after the 92ft catamaran Royal & Sun Alliance suffered another brutal night in wind squalls topping 60 knots. In the Southern Ocean. Nevertheless, they had covered 465 miles in the previous 24 hours and have totalled 14,886 in the 42 days so far of their attempt to set a new non-stop, round the world record and take the Jules Verne Trophy away from Frenchman Olivier de Kersauson. They are still 600 miles behind his schedule and have yet to dig further south to clear Cape Horn. But a favourable weather pattern up the Atlantic should see them not only break 80 days, but both set a faster time than when Sirs Peter Blake and Robin Knox-Johnston set a new record in the same boat of 74 days and threaten the 71 days 14 hours of de Kersauson.

WHITBREAD ROUND THE WORLD RACE Sixth leg (4,750 miles, São Sebastião, Bra, to Fort Lauderdale, US): 1 Innovation Kvaerner (Nor) K Frostad 3,821.1 miles to finish; 2 Silk Cut (GB) L Smith 2.2 miles behind leader; 3 Brunel Sunergy (Neth) R Heiner +10.8; 4 Chessie Racing (US) J Kostecki +12.1; 5 Toshiba (US) P Standbridge +12.9; 6 EF Language (Swe) P Cayard +15.7; 7 EF Education (Swe) C Guillou +20.6; 8 Merit Cup (Monaco) G Dalton +21.2; 9 Swedish Match (Swe) G Krantz +22.7.

Squash

NATIONAL SUPER LEAGUE: Rowlands Manchester 2 Dunraven Maesteg 1; ICL Lionhearts 3 Uunet Surbiton 0; Halifax Insurance 1 Ellis Lingfield 2.

Sumo

SPRING GRAND TOURNAMENT (Osaka) 10th day (of 15): Kitakachidoki (won 5, lost 5) bt Kyokutenho (3-7), Hamanoshima (5-5) bt Asahiyutaka (6-4); Asanosho (6-4) bt Kotoinazuma (4-6); Mitoizumi (6-4) bt Maruoumi (3-7); Minatofuji (6-4) bt Aminoshu (5-5), Tamakasuga (5-5) bt Asanowaka (6-4); Higonoumi (7-3) bt Oginishiki (5-5), Terao (3-7) bt Kyokushuzan (4-6); Aogiyama (7-3) bt Gojoro (6-4); Akinoshima (6-4) bt Wakanojo (3-7); Chiyotaikai (6-4) bt Kotoryu (2-8); Shikishima (2-8) bt Takatoriki (4-6); Kotonishiki (4-6) bt Kaio (6-4); Musoyama (6-4) bt Tochinonada (4-6); Wakanohana (10-0) bt Tochinowaka (4-6); Tosanoumi (7-3) bt Takanonami (6-4); Kotonowaka (5-5) bt Musashimaru (6-4); Akebono (8-2) bt Ganyu (2-8).

Tennis

WTA TOUR RANKINGS: 1 M Hingis (Swit) 6,176pts; 2 L Davenport (US) 4,084; 3 J Novotna (Cz Rep) 3,879; 4 M Seles (US) 2,968; 5 A Coetzer (SA) 2,853; 6 M Pierce (Fr) 2,690; 7 I Majoli (Croa) 2,582; 8 A Sanchez Vicario (Sp) 2,566; 9 C Martinez (Sp) 2,495, 10 I Spirlea (Rom) 2,046; 11 V Williams (US) 1,973, 12 N Tauziat (Fr) 1,946; 13 S Testud (Fr) 1,868; 14 A Huber (Ger) 1,841; 15 D Van Roost (Bel) 1,766; 16 A Sugiyama (Japan) 1,504; 17 P Schnyder (Swit) 1,459; 18 M J Fernandez (US) 1,423; 19 L Raymond (US) 1,394; 20 S Appelmans (Bel) 1,366.

Istabraq is the hero of Ireland's day

Racing

By Richard Edmondson at Cheltenham

THE IRISH dream team won the Champion Hurdle on St Patrick's Day with Istabraq yesterday and immediately dedicated the race to the man who is permanently in their own dreams.

John Durkan was taken away by leukaemia in January at the age of 31, but one of the legacies left by the would-be trainer was the talent-spotting of Istabraq. He picked out the gelding for Ireland's premier punting owner, J P McManus, who was yesterday a winning comrade in arms with Ireland's top trainer, Aidan O'Brien, and the nation's leading jumps jockey, Charlie Swan.

Istabraq's 12-length thrashing of a huge field, Ireland's first success in the race since Dawn Run in 1984, would have been emotional enough in front of the thousands who had travelled over the water to back their favourite. The nuance of a much-missed man who was absent from the celebrations served to heighten the response. Swan himself was close to tears on his return and he only just managed to retune his crackling voice. "This is for John," he said. "John Durkan.

"Today all my dreams come true. Aidan told me four days ago that he would destroy them and when he says that you know. To ride a winner in one of these championship races is an unbelievable feeling."

Istabraq's memorable victory came on a grey day, an incongruously dull afternoon for the most glittering jumps meeting in the calendar. A parade of champions composed of the old warhorses preceded a field of 18, one of whom was destined to join the company of Alderbrook, Beech Road, Flakey Dove and Gaye Brief.

The morning money had come for I'm Supposin, Shadow Leader and Pridwell, and the first named looked in condition to justify the support, his aristocratic bearing a dominating feature of the parade ring. Lady Daisy looked ashamedly small and Shadow Leader bore a dark, serious face we were to witness for the last time.

Istabraq himself was camouflaged in the throng of connections as he had no distinguishing jockey on his back. The six-year-old had worked himself up into such a state of high anxiety at this meeting 12 months ago that it was decided to let him circle in isolation in an effort to preserve his energy.

Swan and O'Brien discussed tactics in relaxed fashion and by the time the jockey eventually joined his partner the only signs of equine worry were dark patches of sweat on Istabraq's neck. By his panicky standards, however, the hide was arid.

Istabraq won the Royal & SunAlliance Hurdle 12 months ago with a run from the back, but it soon became clear there was to be a different *modus operandi* this time. Lady Daisy darted into the lead, but the emerald green and gold hoops were soon in her slipstream.

I'm Supposin also brought his noble frame to the forefront and the congregation of the fancied horses was complete when Dato Star pulled his way into the vanguard. By the fourth flight, however, the Star was showing signs of eclipse. By the fifth his challenge was snuffed out as he performed a slithering splits.

Three flights out, Swan decided it was time to stretch. I'm Supposin suddenly did not look as convincing and Shadow Leader began to emerge as a more authoritative challenger. Two hundred yards later, however, his effort and his life were over. The young horse overjumped the last obstacle and his neck snapped like a brittle twig.

I'm Supposin paid for his effort to go with the winner and faded into third. Theatreworld, a stablemate of Istabraq, did as he had done last year and finished tigerishly into second. By that time, Swan was out of the saddle, his index finger waving to the crowd.

"This tops the lot," J P McManus said. "I hoped he would be as good as this." Aidan O'Brien added: "He did it so well. All year J P had this campaign for him and it's great for everybody. The lads and everybody did a great job getting him here to run this sort of race. It's splendid."

The hats went up, the crowd cheered and there was great appreciation of the Irish group at the base of the winners' amphitheatre. It was rather poignant that part of the applause was for someone who wasn't even there.

Racing, page 18

Champion Hurdle

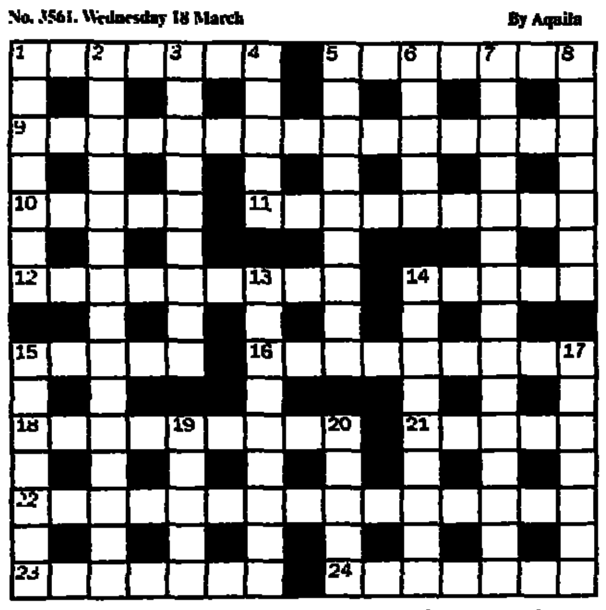
1 Istabraq (C F Swan)..........3-1 Fav
2 Theatreworld (T P Treacy)..20-1
3 I'm Supposin (R Dunwoody) 6-1

A racegoer tracks the progress of his selection yesterday

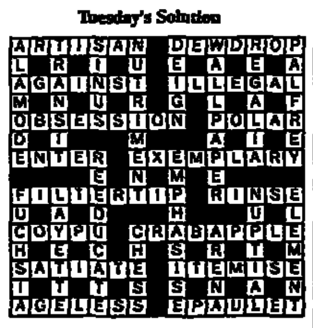
Jumping for joy: Charlie Swan pilots Istabraq safely over the final fence and on to victory in the Smurfit Champion Hurdle during the first day of the Cheltenham meeting yesterday. The 3-1 Irish favourite finished 12 lengths clear of Theatreworld
Photographs: Phil Cole/Allsport

THE INDEPENDENT CROSSWORD

No. 3561. Wednesday 18 March — By Aquila



Tuesday's Solution



ACROSS

1 Wild caperer, losing heart, takes name to heart (7)
5 Suspicion of French dash at table (7)
9 The sidetrack lit badly in Cumbria (3,4,8)
10 Maverick steer given new location (5)
11 What makes a Wiltshireman sail? (9)
12 Fitting out a rider (9)
14 Female with a story that is endless and disastrous (5)
15 It has to go back before the tenth (5)
16 Stations of a minstrel on the move (9)
18 Profits from new singles included in balance-sheet (9)
21 The morning I leave to see a friend (5)
22 Architect's car is damaged, leaving marks (15)
23 Amount, say, of a sum poly worked out (7)
24 Novelist right to be more serious? (7)

DOWN

1 Supporter of mine in the gallery (3-4)
2 Following a translation, they accept blame for shocking treatment (8,7)
3 Sectional management of the Strand, we hear (9)
4 Old cold rhubarb (5)
5 His line is profitable, in the main (9)
6 Club without power, say (5)
7 Some may be out, taking tea here (7,8)
8 Frank unaffected in bars? (7)
13 Tenor included in setting of Estonian chants (9)
14 Africa's seeming to produce stewed meat in sauce (9)
15 Retired explorer with company in Virginia, for example (7)
17 Bent spoons rare from a godparent (7)
19 One shows mark of a post-impressionist (5)
20 In which Indian dishes may be presented? (5)

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Take care of Gazza, Cruyff tells Hoddle

Football

By Frank Malley

JOHAN CRUYFF has urged the England coach, Glenn Hoddle, to wrap Paul Gascoigne in cotton wool if he wants to win the World Cup.

On Monday, Gascoigne, unfit and struggling to come to terms with his impending divorce, was left out of Hoddle's squad to play Switzerland next week.

"Gascoigne is very, important to England," the former Barcelona coach said. "He's a player like Cantona or Ginola. He doesn't need to play for 90 minutes. He can play half an hour here, and 30 minutes there. That's how Glenn Hoddle should use him.

"He's a great player, but he's over 30 now and has got to take special care. The World Cup is a tournament of seven games in a very short period and he needs to be 200 per cent fit to face the pressures."

Cruyff believes Hoddle's decision to omit the Rangers midfielder from his squad to face the Swiss in Berne tomorrow week makes sense.

"He was right to leave Gascoigne out against Switzerland. Let him get back to full fitness," Cruyff said.

The former England manager, Bobby Robson, who took England to the World Cup semifinals in 1990 when Gazza came of age, agreed.

"Gascoigne's a special kid," Robson said. "When everything's right and he's buzzing and on cue he's good to be with. The players like him and he produces. When it's the opposite to that he gets depressed and does things he shouldn't do.

"So many things have happened to Paul Gascoigne since 1991. Sometimes we mature at 21, sometimes at 43. But I really think he's seen the light now and seen the errors of his ways.

"He realises this will be his last World Cup. The boy has got great ambition. He was the best young player at Italy 90 and he will want to re-live that."

Cruyff and Robson, who were speaking at a World Cup Forum in London, also warned that this summer's finals could be wrecked by the decision of Fifa, world football's governing body, to outlaw the tackle from behind.

"The rule has no sense," Cruyff said. "It makes things more complicated for the referee. It could be a disaster for the World Cup."

Robson agreed, saying, "Fifa have taken on a very dangerous precedent. Tell Jack Charlton, or Norman Hunter, or even Bobby Moore that you can't tackle properly from behind and win the ball."

'The Herminator' meets 'The Terminator'

A MEETING of giants was on the cards yesterday, at least in the ether. Austria's super-skier, Hermann Maier, was due to speak to Arnold Schwarzenegger by satellite link last night during a party to celebrate his return to his home town of Flachau.

The Austrian-born actor, best known for his roles in The Terminator films, was expected to greet the double Olympic gold medallist and World Cup champion, known as "The Herminator", one of several celebrities queuing up to offer congratulations to the former bricklayer who has given his country its first overall World Cup champion since Karl Schranz in 1970. President Thomas Klestil, as well as Schranz and the six-times overall World Cup champion, Anne Marie Moser-Pröll, were expected to join 20,000 fans ready to welcome home Maier, who has generated an unprecedented wave of excitement in a country where Alpine skiing is the national sport.

Houses in Flachau were decorated with flags and banners for the party, while an Austrian brewery has created a special Herminator Beer for the occasion, and "The Hermann Maier Song" is enjoying continuous airplay on national radio. The Austrian ORF television network scrapped a live broadcast of a Uefa Cup football match to show the festivities.

become achievements

the most ambitious programme of employment opportunities our country has seen. From April 6, every young person unemployed for more than six months will have the offer of work or training. From now on, no young person will be without opportunity.

It is now time to take two further steps that broaden the scope and ambition of the New Deal. Steps which will open up new opportunities to every long-term unemployed adult in our country.

From June, every one of the 225,000 men and women who have been unemployed for two years or more can benefit from a £75-a-week employers subsidy which, for them, will be a passport to work. But the Government is determined to do more and we will offer – initially to 70,000 men and women – an individual service of expert help and advice to find work ...

Past employment programmes have helped men but often ignored employment opportunities for women. From this year, the New Deal with be extended to thousands of women previously denied chances of work. It will do this in three ways.

Finding work

First, for a quarter of a million women, who are partners of unemployed men, we will offer expert and personalised help to find work through pilot programmes to be launched in every region of Britain at a cost of another £60m paid from the windfall tax. Second, Social Security Secretary Harriet Harman will announce next week that expert help will now be available on a national basis for all lone parents who want to work and whose children are at school. And we will implement a 12-week linking role so that they do not risk losing benefits as a result of a brief period in work.

And third, partners of the unemployed under 25 without children, who are not allowed to register as unemployed, will now be given exactly the same opportunities for training and work that others under 25 now enjoy. With these proposals, equality of employment opportunity for women in our country is now far closer to becoming a reality.

Unemployment blights not just individuals' lives, but whole communities. So we need a New Deal for communities which recognises that the answer to social exclusion is economic opportunity. Working with the Social Exclusion Unit, the Deputy Prime Minister and other ministers will announce a series of pathfinder projects that will put employment at the centre of initiatives to improve education, health and other services in our poorest communities.

But there is one group of young people who are the most excluded and most discouraged: young people who find themselves homeless.

These vulnerable young people do not just need homes: they need jobs. So I want help to be linked to training and preparing them for jobs. Today £50m is being channelled ... to create a nationwide network of mentors ready and willing to help advise and motivate young people who could get back to work. But we must do more. Today, whilst many are unemployed, extensive skill shortages hold back our economy. I can also announce extra help in this Budget to promote investment in skills and lifelong learning.

But our priority must be to provide training in computers, high technology skills, not least to help prepare for the Millennium. Over £100m extra will be allocated in the coming year to tackle the skills gaps in Britain. Education and Employment Secretary David Blunkett will announce details of this new skills initiative for Britain.

Our review of post-16 benefits and maintenance will continue along the lines we have already set down.

Having provided new opportunities for work, it is now time to create a modern tax system that will help create jobs. So I want to announce today a tax reform to cut the costs of hiring at the wage levels where most new jobs are created. I want to make it easier for companies who are prepared to take on young people looking for a first step on the ladder of employment; and to take on men and women who want to return to work.

The tax and benefit taskforce headed by Martin Taylor of Barclays will publish its full report this afternoon ... One of his central recommendations is for a simpler, fairer and more employment-friendly National Insurance system. One that makes it easier for employers to hire new employees, and one that also cuts the costs and red tape associated with the two separate and unaligned systems of income tax and National Insurance. His proposal is to restructure employers' National Insurance on a revenue neutral basis – which for business as a whole, will involve no additional cost. And to set a rate of employer's National Insurance of 12.2 per cent, but only after the first £81 of wages.

I have accepted these proposals. From next year, the Government will abolish the distorting entry fee for employers' National Insurance. We will abolish the multiplicity of separate National Insurance rates.

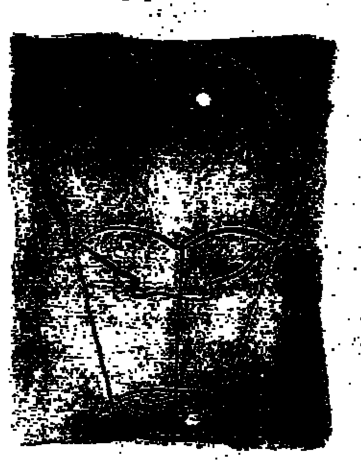
We will cut the cost of hiring lower paid employees. Employers will now pay no National Insurance on any employee earning less than the starting point of the personal tax allowance, £81 a week. The right to benefit for all employees earning between £64 and £81 a week will be upheld in all the changes we make.

With these changes we are cutting the costs to business of employing 13 million of our lower paid employees. We are taking up to 1 million of the lowest paid employees out of employers' tax altogether. And we are cutting the cost of hiring someone on half average earnings by over £250 a year ... Employers and employees will also benefit from a further institutional reform: the establishment of a single organisation to deal with both income tax and national insurance. Ms Harman and I have agreed that the Contributions Agency will be transferred to the Inland Revenue with effect from April 1999 ... Welfare to work is stage one of the reform of the welfare state. This Budget moves us today into stage two – ensuring work pays more than benefits and raising the rewards from work.

When it is right for the economy I will introduce a 10p starting rate of income tax.

Today I announce a tax cut for hundreds of thousands of working families on low income and we will do it through the introduction of a new working families tax credit from October 1999. Under the present system of family credit there is, quite simply, a ceiling on aspirations for women and for men wanting to work their way up ...

The working families tax credit will not only be a tax cut for hundreds of thousands of working men and women with children but it will abolish the grotesque distortion where some low-paid employees have had to pay back more than a



pound for every extra pound they earn. Instead of the state paying out benefit through the social security system to working families on low incomes, in future they will receive cash directly through the tax system. And families will be able to choose to whom the credit is paid – either directly or through the pay packet.

By tackling the unemployment trap, and by increasing the help available to families, the working families tax credit ensures that work will pay more than benefits. And by tackling the poverty trap – through cutting the rate at which help is withdrawn as incomes rise – the working families tax credit ensures that the more you earn the more you take home.

And I say to those who can work: this is our New Deal. Your responsibility is to seek work. My guarantee is that if you work, work will pay.

And let me spell out in hard cash the difference this guarantee will make. For families where someone works full time there is now a guaranteed income of at least £180 a week. And to the same working family a second guarantee, that no income tax at all will be paid on earnings below £220 a week.

This Government inherited a tax

BUDGET BITE

The most accident-prone Chancellor seems to have been Ward Hunt, who forgot to take his budget speech with him to the House on budget day in 1869. One of Nigel Lawson's budget speeches had a brief intermission halfway through when he discovered that he had the pages in the wrong order.

Customers enjoying the Chancellor's speech in Dixon's, central London Photograph: Rui Xavier

system whereby a family with two children paid tax even when they earned only 25 per cent of average earnings. Now they will have no income tax bill until they earn over 50 per cent of average earnings – a transformation in the rewards for work in our country ... In the new Britain, for millions more people, we will make work pay.

For decades thousands of disabled people have been denied a basic right – the right to work. And the tax and benefit system is one of the barriers denying them opportunities.

As a government we will never compel to work disabled men and women who cannot work, and for those who want to work we will systematically remove the obstacles that at present prevent them from achieving their potential. So alongside the working families tax credit the Government will introduce a new tax credit for disabled people – paid through the wage packet. And a new 12-month linking rule to improve the incentives for those on long-term benefits to take a job. Together these measures will ensure higher rewards for disabled men and women entering work – making work pay ...

We said at the election that we would not raise the basic or top rate of income tax. And we will keep this promise, not just for one year, but for the Parliament.

But I am abolishing the perverse entry fee every employee pays to be part of the National Insurance system and in doing so I am cutting National Insurance for every employee in the country.

Future reforms will also ensure that no one pays National Insurance for the first £81 of their weekly earnings. All employees earning between £64 and £81 will have their rights to benefits protected. So, from next April, 20 million employees will benefit by paying £1.28 a week, or £66 a year less in National Insurance.

This is not just a tax cut for lower income Britain, it is a tax cut for middle income Britain. A tax cut for everyone in work. Our reforms signal the biggest change in the structure of national insurance for a generation.

I have one further change that will make thousands of men and women better off, and in particular make a difference to family incomes. For too many parents, the costs of childcare has meant either that parents cannot afford to work or find themselves paying out most of their wages on the costs of childcare. So we will introduce a new childcare tax credit as part of the working families tax credit, and put high quality childcare within the reach of people who have never been able to afford it.

For spending on childcare of up to £100 a week for the first child and £150 for two or more children, the new tax credit will cover as much as 70 per cent of the cost ... childcare will from now on be affordable for the many and not just the few ...

Family values means we value families, all families. So our economic policy must not only encourage a stable and healthy society based on mutual rights and responsibilities but directly support families as they bring up children.

This is not just for the 4 million children growing up in poverty in Britain today, but for every child who should have the best opportunities ...

But the system of child, and indeed family, support this Government has inherited is confused in its aims and contradictory in its impact, and it must be reformed on the basis of clear objectives.

And the starting point in 1998 is exactly the same as stated by Beveridge in 1942: "That nothing should be done to remove from parents the responsibility of maintaining their children and that it is in the national interest to help parents to discharge that responsibility properly."

But we implement these objectives in a changed economy where parents now are trying to strike the right balance between paid work and family responsibilities. And in this new context I believe that we must do more to encourage family-friendly employment that will help children and their parents. That is why, as part of the Social Chapter, we will legislate to guarantee unpaid parental leave and I am pleased to confirm that the CBI are in support of this endeavour.

Child benefit

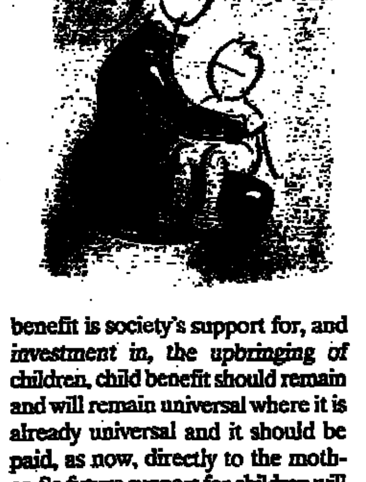
Giving children the best start in life requires good schools, good health services, good childcare, good public services as well as cash help. As a country we invest around £10bn a year in a wide range of services for young children. And for the first time, a broad-based review of how we can integrate the whole range of services involved in the support and care of young children and their families is being carried out and proposals will be announced with our spending review in the summer.

Giving a child the best start in life takes more than money, but it cannot be done without money.

And I believe that child benefit remains the fairest, the most efficient and the most cost-effective way of recognising the extra costs and responsibilities borne by all parents.

And raising it allows us to do more for mothers who choose to be at home, working at home bringing up their children.

To underline this view, that child



benefit is society's support for, and investment in, the upbringing of children, child benefit should remain and will remain universal where it is already universal and it should be paid, as now, directly to the mother. So future support for children will be built upon universal child benefit and I am convinced of the case for raising its level. But after careful examination there are three complementary changes I believe we should make.

First, we all know circumstances dictate that some [illegible]

more help than others. And that the case for additional support for children in poorer families is strong, but that support should be on the basis of the identifiable needs of children, not on whether there happens to be one parent rather than two. There is, in my view, no case for a one-parent benefit and we will not return to that. Additional support should be provided not on the basis of family structure but on the basis of family need.

Second, our benefits system provides less help for children when families need it most – in the early years. Low-income families on benefit in or out of work receive £8 a week less for a child under 11 than a child over 11. This distinction does not reflect the high costs of the early years, and takes no account of the costs to mothers of staying at home when their children are young or of the extra costs of childcare if mothers are working. So it is time to do more for children under 11 ...

From next April, for the first child, child benefit will be raised by more than 20 per cent. A £2.50 a week rise in child benefit. This is in addition to the normal uprating for inflation. At £130 extra per year, this is the biggest increase we have seen in child benefit. These changes will be fully reflected in the family premium for income support. It is the right thing to do to support and strengthen families in our country. And, from November this year, for those on income support and family credit, child support for the under-11s will be raised by an additional £2.50 a week, so that the needs of Britain's youngest and poorest children are properly recognised ...

For those who want to see child benefit raised in future years, the question arises as to whether it should be taxed for those at the top of the income scale. It must be right in principle that if child benefit is raised in future, then there is a case for higher rate taxpayers paying tax on it. Following the children's review we will bring forward detailed recommendations for reform.

I have one further announcement: for hundreds of thousands of men and women, care within the family extends beyond caring for children to caring for disabled or elderly relatives. So valuing families means valuing spouses, grandparents, and all the carers who contribute to the family. As a first step to recognising the importance of carers within the family, I can today announce I am ending an injustice that the previous government tolerated. The tax allowance which has been available only to men with children whose wives are incapacitated will now be extended to mothers with dependent children and incapacitated husbands. And because of the importance I attach to ending this unfairness, I will backdate this to April 1997.

I now turn to the environment. ... Having signed up at Kyoto to an 8 per cent reduction in European Union carbon emissions we are determined to play our part – nationally and internationally – in meeting that target ...

First, I can confirm today that VAT on the installation of energy saving materials funded under certain government grant schemes will be cut from 17 per cent to 5 per cent ...

sure, not least from businesses themselves, for measures that encourage greater energy efficiency in industry. I am grateful to Sir Colin Marshall, the chairman of British Airways and until July, president of the CBI, for agreeing to head a government review into economic instruments to improve the industrial and commercial use of energy. This will include a study of whether or not new economic instruments, such as an industrial energy tax and/or other market mechanisms, should be introduced to help curb industrial emissions; and if so, how.

Concern for the environment is of course not limited to use of energy. Last year, we commissioned work on the environmental costs of the quarrying of aggregates and on the options for dealing with water pollution. Detailed results on aggregates will be published in the near future but we already know that we need to do more to reduce the amount of waste going to landfill. So I will raise the standard rate on active waste from £7 to £10 per tonne from April 1 1999 ...

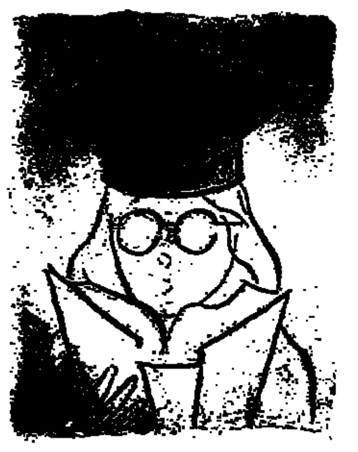
Road transport is the fastest growing source of carbon emission. So we need a more balanced transport policy. The Government therefore proposes to make two major environmental-led changes to long-term transport policy today.

The quantity and the quality of public transport must be improved. So I am pleased to announce that over the coming three years, as a result of this Budget, a total of over £500m additional money will be invested in public transport. The Deputy Prime Minister will announce the details later in the week.

But today I can announce a £50m a year rural transport fund. Three-quarters of rural parishes and communities have no bus service. Our aim must be to extend the range of transport services throughout the country. So this fund will invite applications from rural communities who want to improve local transport. And as an added incentive I will increase the rebate on fuel paid to bus operators to help keep fares down.

The Government recognises that, for many people especially in isolated areas, car ownership is not a choice but a necessity and so I now want to re-balance car taxation so that it falls less on car ownership. And I want to make the change in an environmentally sensitive way.

From January next year, I am cutting the licence fee for lorries and buses with clean engines by up to £500. But I also want to make a major reform of the licence fee for cars. From next year I plan to reduce the fee for cars with the lowest emissions.

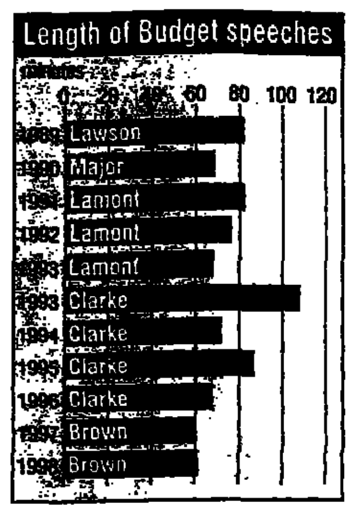


For the cleanest and smallest cars, I plan to cut the licence fee by £50.

And, as we make the preparations for this long-term environmental change, for this year I propose, at a cost of £145m, to freeze the licence fee for all vehicles. To encourage lower emissions, the costs of converting company cars to road fuel gases will, from now, be disregarded for income tax purposes. At the same time I am increasing the scale charges for fuel provided by an employer, which will cost the typical company car user around £1 a week. The duty on road fuel gases will be frozen, increasing the incentive to use cleaner fuels ...

Road fuel tax will rise by 4.4p a litre for unleaded petrol, and for ultra-low sulphur diesel. And to encourage all diesel-users to switch to cleaner fuels, ordinary diesel will increase by 1p more than that. These increases will reduce carbon emissions by 1.7 million tonnes of carbon.

Now to other tax measures. I have already said that we will maintain the basic and top rates of tax for this Parliament. As is usual we will increase all income tax allowances, income limits and tax thresholds in line with inflation. I turn now to this year's Budget decision on mortgage tax relief. I can tell the House that I have decided in this Budget to make no further change in the rate or to make any change to Stamp Duty on property below £250,000. For property sales above £250,000, Stamp Duty will be raised to 2 per cent from next Tuesday, and to 3 per cent on property sales above £500,000, a change which leaves 98 per cent of house transactions unaffected ...



old for inheritance tax by £8,000. Under this government there will be no inheritance tax to pay on estates below £223,000. Ninety seven per cent of estates will not have to pay inheritance tax ...

Museum charges

I also want to improve access to museums and galleries. I have therefore decided that extra money will be made available to help museums and galleries which do not currently charge for admission to maintain free admission in the coming year.

As I promised, I will raise revenue over the next three years by closing a number of loopholes, including offshore trusts, a total of £1.5bn. Next month, we will be publishing and consulting on draft legislation for a general anti-avoidance rule for direct taxes.

From January 1 next year, alcohol duties will be uprated in the normal way, by 1p on a pint of beer and 4p on a bottle of wine. For a bottle of spirits the duty will be frozen at its current level. And I shall be taking action to clamp down on smuggling and fraud. On tobacco, the excise duty will rise by 5 per cent above inflation. From December 1 the tax on a packet of 20 cigarettes will rise by just over 20p ...

I have decided that there is a case for a new tax relief for giving. I want British citizens to be able to contribute more to poverty relief and education in developing countries. For every £100 a British citizen donates, the British government will contribute up to £40 ....

I said that this would be a Budget based on prudence for a purpose and that guides us also in our approach to public spending. When we came into government we said that while we undertook a strategic review of future spending priorities we would work within a two-year ceiling on departmental spending.

The Comprehensive Spending Review – the results of which we will announce this summer – will shape our public spending priorities into the next Millennium ... We have already achieved more than some expected – £400m to help pensioners with fuel bills, £1.5bn to patient care in the NHS, £3bn to employment, and more than £2bn to education.

Because of our disciplined approach this year we are able to carry over extra money from this year to next. I have already said that public transport will receive an additional £500m over the next three years. But ours is prudence for a purpose – to meet the people's priorities.

We are determined to improve education all round. So I am allocating for the coming year to education an additional £250m. Making a total additional commitment to education since we came to power of £2.5bn. And I can also tell this House that Health Secretary Frank Dobson will make a statement this week. The extra money I announced last July for the NHS comes on stream from next month. I have decided that this allocation to health of £1.2bn for next year should today be increased by another £500m to £1.7bn. This takes the total additional investment we have provided for the NHS in our first 10 months to £2bn. The NHS is safe in this government's hands.

Because we will always be prudent, I am allocating £500m to add to the reserve in 1998-99. It is because of our prudence that we are able to meet our manifesto commitments, reduce the deficit and invest more in transport, education and health. The ambitions of the British people are once again the ambitions of the British government. So this is a Budget that by its measures, advances both enterprise and fairness. A Budget that has set new ambitions for Britain.

I commend it to the House.

Political reaction p 12

OPPOSITION RESPONSE

Britain's 'golden legacy' betrayed

By Fran Abrams
Political Correspondent

THE "People's Government" has betrayed almost all of the people with its first two Budgets, the Conservative leader William Hague claimed last night.

While both Mr Hague and the Liberal Democrat leader Paddy Ashdown praised some aspects of the Budget, Mr Hague in particular used the occasion to attack Labour's record over the past 10 months.

"They call themselves the People's Government. Which people? Not the people who own their own homes, not the people saving for their retirement, not the people who drive their own car," he said.

The Conservatives would support cuts in Corporation Tax and in taxes for small businesses and would also welcome the introduction of challenge funds for universities, he said. They were also pleased to hear to reductions in National Insurance contributions, while reform of Capital Gains Tax had already been proposed by the Shadow Chancellor, Peter Lilley.

However, he said, Labour had the strongest economy inherited by any new government since the Second World War. Despite pre-election promises not to put up taxes, the measures proposed so far by the Chancellor had cost a typical family £798 per year.

Mortgage rates had gone up, and the tax burden had risen by three pence in the pound even before yesterday's Budget.

Talk of Labour being a friend of business had been followed by £22 billion in extra taxes, while promises to help women and children were to lead to taxes on child benefits at an unspecified time in the future.

In addition, the Government had missed its inflation target for nine out of its first 10 months.

"It was the Chancellor's duty to preserve a golden economic legacy, and step by step he is betraying that legacy. His record is telling a tale of two economies, with services booming and manufacturing on the brink of recession. Manufacturing output has fallen for five successive months," he said.

Mr Hague welcomed the Government's retreat over Individual Savings Accounts, allowing people with money in PEPs to keep it there. The Conservatives had clearly won the debate on the issue, but the Government's admission that it had been wrong had come too late, he said. The Red Book published yesterday forecast a fall in the personal savings ratio from 11 per cent to nine per cent.

Plans to replace Family Credit with a Working Families Tax credit could increase expenditure and make the system more complex, he claimed. In fact, Margaret Beckett attacked a similar Conservative plan in 1986, and more recently a Canadian think-tank had counselled the British government against it after it was introduced there.

"This will be a disincentive to work for thousands of people. Hundreds of thousands of women will see more than £50 a week taken from their purses and places in their partner's wallets," he said.

Plans for additional help with childcare could create an unfair system, he said, because parents would have to use registered childminders if they wanted to claim the benefit. In fact, those rules already exist for childcare benefits introduced under the Tories.

"It is a crazy situation. Two neighbours may be better off looking after each other's children than looking after their own. We want to see a policy that supports people who look after their own children," he said.

However, the Conservatives would welcome a 10 pence starting rate of tax, and wondered why Mr Brown kept announcing one without saying when it was going to be delivered.

Mr Hague dismissed plans to spend £50 million on rural transport as a "gimmick," saying it would nowhere near compensate for increases in costs to motorists.

Mr Ashdown began his response not by attacking the Government, but by attacking Mr Hague, who he accused of being "intemperate and inaccurate," in particular in his response to spending plans.

"We are used to being astonished by Conservative hypocrisy, but I must say I haven't yet heard anything so extraordinary as a Conservative criticising this Government for its NHS expenditure plans when what it's doing is following Conservative spending plans," he said.

Broadly, Mr Ashdown welcomed the budget.

"The Chancellor may not, to his regret, be the captain of the ship, but he has today provided its compass and set its course. We have our criticisms of this Budget, of course we do, but we also have things we agree with," he said.

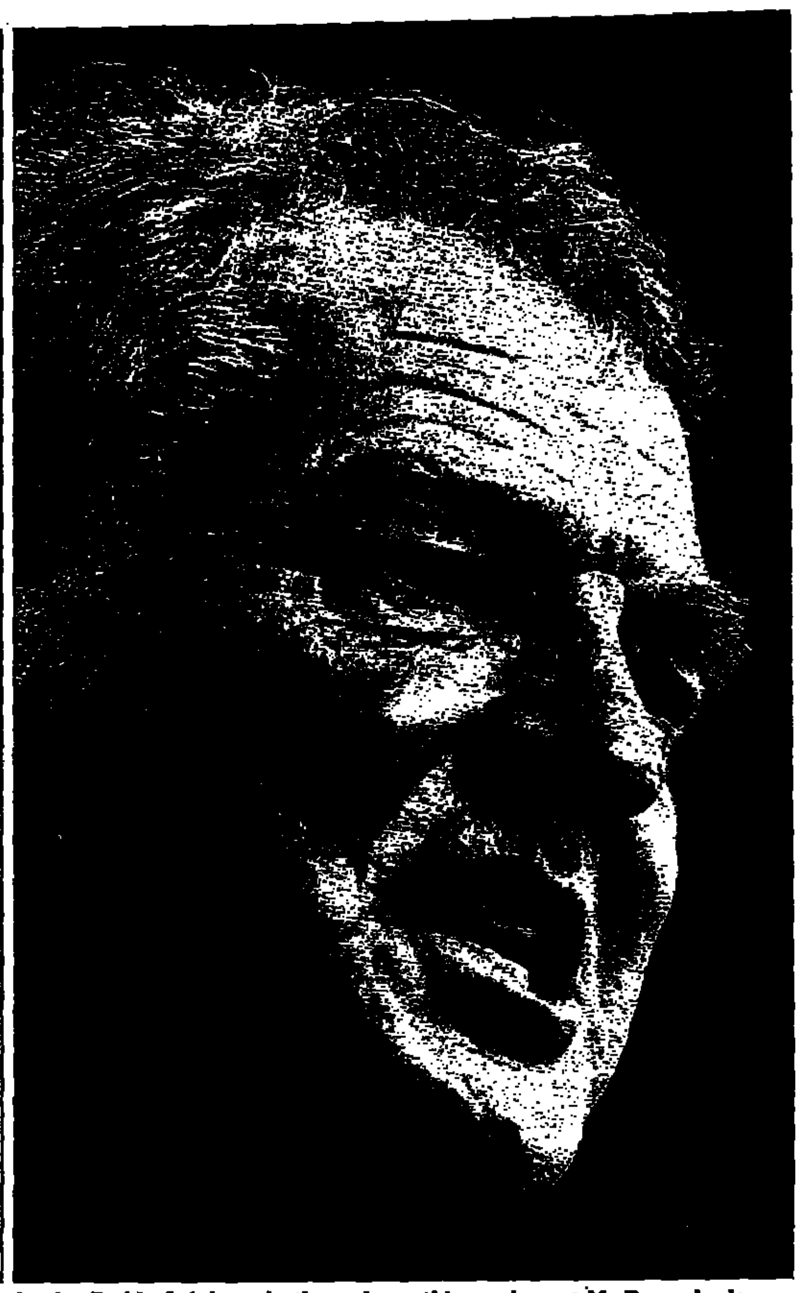
Mr Ashdown welcomed the Government's attempt to plan for long-term economic management, its welfare reforms, the shift towards helping small businesses, tackling poverty, fiscal responsibility and even the extra money that had been given to health and education.

But, he added, far more was needed for schools and hospitals. While Gordon Brown had so far announced £2.5 billion for education and £2 billion for health for distribution over several years, the Liberal Democrats wanted to see those sums put in every year.

"I will hazard a bet that there isn't a single Labour member opposite who hasn't received, as I have, bewildered letters about yet more cuts in school budgets, yet more sacked teachers, from people who voted Labour on the first of May in the belief that they were going to improve schools," he said.

Mr Ashdown also reserved a major part of his response for the European single currency, which was not mentioned at all. Once the rates for entry were set in six weeks' time the Government would be forced into a referendum on the principle of entry before the next election, he said. "I believe the result of that would be immediately beneficial both to the Chancellor in his predicament and to the country – a lower pound, lower interest rates, more inward investment and a real boost to the Government's standing in Europe," he said.

"Although we have these serious criticisms we broadly favour the Budget's neutral stance, and the Government's apparent seriousness about tackling poverty and benefits dependency – but the proof of this pudding will be in the eating, not in what's on the menu," he said.

On the attack: Conservative leader William Hague and Liberal Democrat leader Paddy Ashdown both made scathing swipes at Mr Brown's plans

IN THE LOBBIES

Tories left hunting for something to criticise

By Colin Brown
Chief Political Correspondent

GORDON BROWN'S help for families was warmly welcomed by Labour MPs, and left the Conservatives searching in the small print for reasons not to be cheerful.

It was not a spectacular package, but it left Labour MPs satisfied that Mr Brown had listened to the protests over lone-parent benefit, and the £50,000 ceiling on individual savings accounts.

Raising child benefit by £2.50 a week won over the doubting left, while raising the allowance on inheritance tax to £223,000, keeping mortgage tax relief, and putting off taxing child benefit silenced some Tories, who had predicted a squeeze on the middle classes.

"I wondered when the bad news would start ... but it never did," one Labour MP said.

It was a "clever Budget", said Lewis Moonie, a doctor and Labour MP for Kirkaldy. "It could be seen as a great Budget over time. It was good to see the Tories wriggling."

David Davis, Tory chairman of the Commons Public Accounts Committee, called the package "smoke and mirrors". The small print showed the Chancellor would gain £1bn from bringing forward increased duty on road fuel; £1bn on married couples' allowance; and £2bn from cutting advance corporation tax.

A veteran Conservative said: "It was a bloody good Budget for us. Our side should stop whingeing."

John Redwood, shadow trade and industry secretary, welcomed the U-turn on Peps and Tessas but said the detailed Treasury figures, not in the Chancellor's speech, showed savings would plummet and the balance of payments would go into a big deficit. "For a Government brought up on soundbites, it was surprisingly short on soundbites," he said. "The Labour MPs looked bored."

The Labour MPs flooded to the tea room quietly confident that in their constituencies, the uprating of child benefit and the measures to help families back to work would go down well.

"It was a Budget to make Hague tear up his speech," said Rhodri Morgan, the Labour chairman of the Commons committee on public administration. Mr Morgan, Cardiff West MP, said the extra £50m for rural transport "was meant to scotch the rural rebellion before it got off the ground".

Mr Brown was praised for his deft handling of the package, and Dennis Skinner, the "Beast of Bolsover", had to smile at the decision on inheritance tax. He said the Chancellor's most important measure was using tax and benefits to make it pay for people to work. "If he pulls it off, it will be a Budget to remember. The real problem is that he took the decision to stick to the Tory spending plans. It means he can only move the pieces on the chessboard. I would like to have a totally new chessboard."

Others on the left said the £500m extra for the health service would not be enough. Mr Brown would have to raid the £500m put in the reserve to fund a higher increase next winter to get waiting lists down.

Alice Mahon, who resigned as a ministerial aide after rebelling on lone parent benefit cuts, was pleased there had been "recognition that the children in the family have got to come first". Lynne Jones, who led that revolt, said most Labour MPs seemed fairly pleased, but added: "I am very doubtful about the working families tax credit."

VOTERS' PANEL

'They have to get money from somewhere – and that's us'

By Michael Streeter

THE REACTION of Middle England, represented by members of *The Independent*'s panel of floating voters in Redditch, West Midlands, was a cautious welcome for Chancellor Brown's Budget.

The panel was first assembled in advance of the general election last year in order to highlight the views of a crucial section of the electorate.

Members expressed dismay at petrol-price rises, but support for extra money on education, childcare and public transport.

Mark Redfern, 30, an engineer with two children, welcomed the £250m being spent on education next year. "That's why I voted for them, on education, so as long as they keep doing that, that's fine."

However, as the driver of a two-litre car, he was less happy. "It costs me £25 a week to fill up the car with petrol ... it's as if they are saying, stop using the car but keep on using the same old [public transport] rubbish there's always been. They seem to be putting the money into the wrong places."

While they would gain from the rise in child benefit, he said that he and his wife, who have two children, could lose from the reduction in married couples allowance. "They seem to be robbing Peter to pay Paul."

Craig Coates, 37, a council clerk with three children, said he felt the Government was beginning to hit some of the right targets, but he also was concerned that petrol prices were going up when there was still so little good public transport. "We have to pay for the children to go to school by bus," he said, adding that "more than £500m" should be spent on transport.

Susan Lovett: Felt it was a 'relatively good' budget

Childcare tax credits and child benefits were a good idea, he thought, but he felt there was still not enough attention on the National Health Service. "The money is not going to the right people." Overall, he felt that after the initial hike in interest rates the Government was doing okay. "It's getting better," he said.

Susan Lovett, 38, a former sales consultant who voted Tory in the election, felt overall it was a "relatively good" Budget, and said the retention of Miras was a good thing. But her main concern was whether interest rates would have to rise again.

Adrian Blick, 30, who works in a warehouse, said: "Petrol, cigarettes, all the enjoyables keep going." However, he supported the extra money for education. "I suppose they have to get the money from somewhere, and that's us."

Roger Frost, 54, a former British Gas transport manager, said the only real effect of the Budget for him would be the rise on fuel. "You expect that." He, too, felt there should be more emphasis on public transport which is not good enough to cope with the moves to push people away from cars. "We have nothing like they have in the rest of Europe. It will take a lot more than £500m to sort it out."

Goods invoice manager Roger Jones, 42, said there was a need to put more people on public transport. "The trouble is, if someone has paid £18,000 for a new car they will want to have their use of it. It may be hard to get people to take the bus."

BUDGET BITE

The longest budget speech was delivered by William Gladstone in 1853 and lasted 4 hours 45 minutes. The shortest was Benjamin Disraeli's 45-minute budget of 1867.

PROFILE

Changing image of a reforming Chancellor

Paul Routledge, Gordon Brown's biographer, on Downing Street's hidden tensions

"THE body language told us much. As Gordon Brown got to his feet yesterday to deliver his second Budget in nine months, Tony Blair looked up like a dutiful lieutenant. Then, he scanned the speech, moving ahead too swiftly at times because the Chancellor was reading from a large-type script. For all the world, it was the apprentice watching the master. From time to time, Mr Blair gave a grip-mouthed grin, not the full-teeth version. He seemed strangely hunched in his seat, next to the spreading figure of John Prescott. In more than an hour, the smile-quotient was in single figures.

What is going on here? Mr Brown's commanding performance at the despatch box won him a mild hug from the Home Secretary, Jack Straw, but little more than a touch on the arm from his most long-standing political ally, the Prime Minister.

Surely, the most important political coalition of recent times cannot be in terminal decay. Too much rides on it for individual pique to stand in the way of the change for which electors voted. Perhaps Mr Blair never was one for applauding, not even as a child at the pantomime. But nobody was watching then. They are now.

True, in recent times there has been too little opportunity to see the two men together. Neither is a frequent Commons attender. They are not often seen lounging on the front bench, exchanging whispered comments. And they rarely appear in public together. When they do, as on the platform of the Labour Party conference, the protocol of mutual applause and admiration is rigidly enforced.

Neither Downing Street nor the Treasury briefs about the relationship between the two most most important figures in government, except to utter platitudes about how friendly and productive it is. So it is difficult to form a value judgement based on the official version.

Beyond that, however, we had a senior Downing Street official's description – commonly attributed to Alastair Campbell, Mr Blair's official spokesman, for all his denials – of Mr Brown as "psychologically flawed".

This comment came in response to my (with co-operation) biography of the Chancellor, which disclosed his residual sense of hurt at Mr Blair's breach of what Mr Brown thought was a private understanding between the two that he would be the agreed *front-runner* to succeed John Smith.

The book also pointed out that Mr Brown had long-term ambitions to lead his party and become Prime Minister. But from leaks and hints it is clear the Chancellor's semi-official personal manifesto irked the Prime Minister. It infuriated those around him, and sent relations between Number 10 and Number 11 into a deep freeze from which they are only now recovering.

Will yesterday's Budget aid or hinder that process? It confirmed Mr Brown as perhaps the leading politician of his generation. Where others have written pamphlets, or made speeches, or leaked "unthinkable" thoughts, he has made a comprehensive start on the overdue reform of the welfare state. Positive action has replaced rhetoric. And it is Brown's Budget, not Blair's, despite moves in recent days to put the Prime Minister's last-minute prints on it.

Naturally, the two discussed its contents. They had a two-hour meeting towards the end of last month, another session last Friday and breakfast at Chequers the day after. But by that time, the Budget was at the printers. Nothing of significance could have been changed.

Moreover, the general contents have long been known, since the Chancellor's "green Budget" last November. It is essentially part two of his July Budget, the overall direction of which was agreed by Labour's high command before the general election. Subsequently, Mr Brown and Mr Blair spent much time together pacing the privacy of Number 10's back garden to hone the strategy of reform. They are bound together in its long-term success or failure.

Short-term, however, the better the reception that the Budget gets, the *greater* the likelihood of reviving the tensions between Downing Street's neighbours. There is, in short, *great room for small-minded rivalry* and *petty hostility*. Not at the top, maybe: Mr Brown and Mr Blair have had their words about the Chancellor's sense of *slight. On the bridge*, the incident is regarded as closed. Not, alas, in the engine room, where recidivist anti-Brownism is rampant. The noises from below will be make interesting listening in coming months.

Reaction to the Budget will also play a part in the Brown-Blair trajectory. Both share a difficult common objective in rolling back the social trends of the Tory years. This vision unites them. It may not be enough to *see them through this Parliament* and the next. In a sense, too many eyes are on Mr Brown and his reformist zeal. If it works, he will be lauded as a great radical Chancellor. By comparison, what has Mr Blair done, other than win handsomely an election that was there for the taking?

The evidence of yesterday's parliamentary theatre is that the two key members of the Government are on track together, but the permanent way suffers from poor repair. Do not rule out a collision.

Budget comment p14

Montage: Jonathan Anstee

Man of many faces: Gordon Brown at school, at work as an aspiring young Labour MP and latterly as Chancellor, and at play on the tennis courts

Chancellor's Chinese banquet left us all hungry

HAMISH MCRAE

A MISSED OPPORTUNITY

MR BROWN'S second Budget *is like a meal at a Chinese* restaurant. Hundreds of items, all neatly numbered but all tasting pretty much the same. When you pay the bill you feel as though you've had a lot to eat – but then a couple of hours later you're raiding the fridge for a bit of cheese and an apple.

This was billed as a "once-in-a-generation" reforming Budget; the first, last July, was the appetiser, this was to be the main course, *the big one*. A Chancellor gets only four or five shots at a Budget each parliament, so Mr Brown may now be half way through his entire budgetary career. *Yet the overall fiscal impact* of this was minute. At the end of one of the tables in the Red Book, which gives the Budget numbers, is the figure for the net *impact of the Budget* changes on revenue this year. The bottom line figure is plus £65m.

Sixty-five million? All those repetitions of the "and I intend to do more" mantra, all that stuff about enterprise, promising work, fairer society, the global en*vironment being saved by Mr* Prescott and so on, and the net impact of the whole caboodle is £65m. Our economy is the thick end of £800bn, for heaven's sake. *The menu is lengthy*, the presentation is wonderful, but the actual substance is tiny.

Unfair? Yes, a little. Roll forward to the year 2000-2001, *the year before the next election*, and that figure goes up to £790m. More important, that embraces some bigger plusses and minuses as government financed are reshuffled. Rather more than £2bn is being raised, mostly in fuel tax, and then handed back to lower-paid workers in the working families tax credit and the National Insurance changes. That is absolutely the right thing to do, for the real scandal of our *tax system has been the way it* penalises earners at the bottom end of the scale. Our poorest taxpayers pay far too much tax. And if you are going to raise more money there are genuine environmental reasons for cranking more out of fuel tax.

There is, however, no big idea here. There are lots of useful *small ideas*. A few million spent here, a few million saved there. Sir Famous Industrialist will chair a working party on much needed reforms on such-and-such and *we are very grateful for* his time. The Secretary of State for so-and-so will shortly intro*duce new* proposals. Stability, stability, stability. This is a Chancellor who is very aware that no Labour Government has never won two full terms of office. *Every time it has* been unseated by economic failures, and he is going to bust a gut not to make the mistakes of all those failed Labour Chancellors before him.

In a way we should welcome this. If all we ask of a government is reasonable competence in managing its finances, that it does not make serious mistakes, that *it simply fine tunes its tax and* spending to get the fewest distortions and the best quality service it can manage for the money, then Brown is your man. The rest *of the people in the economy* can get on with their work. It will be that work that lifts the country's productivity to the world's best, not the words of politicians.

That may be all governments in mature democracies can do: avoid macro-economic mistakes and *provide* efficient micro-economic administration. But this is not going to show the rest of Europe that there is a clear middle way between North American *market capitalism* on the one hand, with all its energy and vigour, but with its social costs, and on the other, the cosy, secure but ultimately stultifying Western *European social welfare* model. If we do manage to combine the better aspects of the two systems it would be a considerable achievement. But it would be an *achievement* of fine-tuning, not of radical new ideas.

Besides, everything *looks* hunky-dory now because we have had six years of uninter*rupted growth, faster* growth every single year than either France or Germany. These good times have nothing to do with the Government that happens to have been in power for the past 10 months. But these good times will not continue for ever. There are *some signs* of strain. That forecast of inflation of 3 per cent this year is highish by world standards and shouted "expect one more rise in interest rates". *Sterling is not going* to stay as strong as it is now for ever, but it can do a lot of damage to our exporters while it does.

Just as it is almost impossible at the bottom of a slump to realise that it will be *followed* by a boom, so at the moment it is terribly hard to envisage hard times ahead. The Chancellor can warn of the problems that the ongoing slump *in* East *Asia may* do to the world economy.

We can all prattle on about the threat of the millennium bug. But we cannot get our minds into a situation *where unemployment* might be rising at 30,000 a month, where bankruptcies are *climbing* and house prices falling, where the hard-won public sector surplus becomes a mirage, where consumers become frightened and angry – and quite un*fairly blame* the Chancellor for the woes.

Sister Macaulay saw that the man she loved had done good

DAVID AARONOVITCH

ON FATHER BROWN'S SERMON WITH PRICES

SISTER MACAULAY rested her pretty chin in her shapely *hand and gazed down upon the* man she loved. He was sitting there patiently, Father Brown, his sermon on his lap, buttressed by the comforting forms *of his* fellow elders of the Westminster Branch of the Kirkcaldy Free Church, Pastor Straw and Patriarch Blair. She noticed once again the two dark triangular *indentations at the* apex of his cheekbones, as sharply defined as though – she thought – pecked out by a huge, man-eating budgie. "Marks of grace", she always called them; a sign of the man's internal struggle against exhaustion and despair.

She knew about both. Last night, in the small priestly flat, Father Brown had stayed up till dawn, praying and correcting drafts. Sister Macaulay chastely by his side, offering him mute support and the occasional reviving glass of champagne. At 3am he took a break, and together they watched a *tape* of a BBC programme called *Ballykissangel*; the one where the handsome priest never quite manages to kiss the pretty barmaid. Two small pleasures, she thought, in the life of an ascetic. Father Brown *had only just* decided to put a kitchen in the old manse; next year they might install a water closet.

Then, in the morning, he had opened his doors and invited the youngsters in, drawing strength *from their youthfulness* and enthusiasm. Smiling, he reminded them of the poem taught to him long ago by the stern, demanding, iron-bunned Miss Bogie, of the Kirkcaldy Sunday Youth Fellowship, *culled from that* inspiring volume, Divine Songs of Children. "When from the chambers of the East/His morning race begins,/He never tires, nor stops to rest,/*But round the* world he shines. So, like the sun, would I fulfil/ The duties of this day,/*Begin my work betimes*, and still\ March on my heavenly way."

It was to be, she already understood, a long and – to many who failed to comprehend *its* moral immensity – a tedious address. But it contained a vital purpose. *Conventional religion* held that the reward for virtue would be forthcoming in the hereafter. If you lived a sober, god-fearing, industrious life here on earth then your *place* in Heaven was assured.

But why, Father Brown had asked her, wait *that* long? Would it not appeal to the Lord if good behaviour reaped some benefits on this side of the Great Journey? So he had laboured away at *this* sermon with prices; a moral budget; a budget, as he was now telling his enraptured listeners "to encourage enterprise, to reward *work and to support families*." His words were thrilling, like moral arrows. "Thy responsibility," he boomed, "is to seek work. My guarantee is is that if *thou workest, work will pay*." There would be no more "family credit". Why credit-families willy-nilly, the good with the bad? Instead Father Brown an*nounced* "working *families* tax credit", for those that tend their vineyards and exercise their talents to the greater glory of God. And it was due to come in at the end of October 1999, just in time for the Millennium.

Nothing, he implied, was more noble than toil. The lilies of the valley may be well-arrayed, but you can't bring children up on bouquets. Consider *instead the carpenter*, the silversmith, the chartered accountant and the nursery school teacher. Far better they, than the denizens of the gin palaces, the feckless poor, the reckless fathers and careless mothers. And who would improve the condition of the deserving poor better than the brethren of the Kirkcaldy Free? Certainly not the Tories, the High Church Anglicans with *their* obese bishops, venal vergers, defrocked vicars and brandy swigging parsons.

Along with the hardworking meek those who drove little, *thrifty* cars – abjuring the pomp of the Jaguar and the excesses *of the Range Rover* – would also inherit the earth, in the form of a low road tax. The charitable and generous would receive help with the godly act of giving for "the redemption of debt and the reduction of world poverty". *Sister Macaulay* shed a small tear here, for the suffering of the Third World.

But above all, intoned Father Brown, let us help the little children. *For those who bring them* into the world and nurture them, are truly beloved. Let us *give more* in child benefit, let us establish a child care tax credit, to assist the thrifty and the hard-pressed. Let us spend more of the people's money on *the education and betterment* of those children.

To the great satisfaction of his flock, and encouragement from his fellow elders, Father Brown sat down, wiping the sweat from his brow with the sleeve of his cassock. One day he might consent *to rest from his work* in order to marry, and to bring up children in the way of the light and the truth. But when? Sister Macaulay knew that only the first foundations of Jerusalem had been builded here.

Sighing she stood up, ad*justed her wimple, climbed the* stairs to the ladies and slapped on some lippie.

A Budget to save the countryside? Not on your nelly — Photograph: John Voos

There's no butter for the organic parsnips

GEOFFREY LEAN

BROKEN GREEN PROMISES

JUST over a year ago, Gordon Brown privately told leaders of environmental groups that he planned to be a "Green Chancellor". His *first full* Budget, suggests instead (to use the green's favourite excoriatory adjective) that he will be a Brown one.

Despite repeated promises, and despite devoting a whole section of his speech devoted to the issue, the Chancellor has *done very little for the environment*, rejecting virtually all the recommendations of a special pre-Budget report by a powerful new House of Commons committee. Whatever the Budget's merits in other areas, it has severely undermined the Government's claim to be the greenest ever, and badly undercut its achievements in bringing about international agreement in Kyoto to combat global warming.

Two of the main measures he did mention just extend initiatives brought in by the last Conservative government. The other two *merely* correct long-standing anomalies. On this showing, both Ken Clarke and the *little-lamented* Norman Lamont were greener chancellors.

It should have been very different. Before the election Mr Brown identified *protecting the* environment as one of the guiding principles of his economic policies. The election manifesto – to quote John Prescott, – "highlighted" the need for green taxes.

In his July Budget, Mr Brown committed himself to putting "the environment at the core of the Government's objectives for the tax system". And in a special *Statement of Intent on Environmental Taxation*, published the same day, he said the Government was aiming "to reform the tax system to increase incentives to reduce environmental damage" in order to "deliver a more dynamic economy and cleaner *environment* to the benefit of everyone".

And only a month ago, Dawn Primarolo, his Financial Secretary to the Treasury, was boasting that *the Government* was "leading from the front" in "actively taking forward the environmental tax agenda".

Fine words, all of them. But the organically grown parsnips have received scarcely a dab of Flora. There virtually nothing to show for all the rhetoric.

Let's start with the best news, such as it is. The announcement that vehicle excise duty will be reduced for the *least-polluting cars, lorries and* buses, may conceivably do something to persuade people to buy them. But it is more of a modest correction of an outrageous anomaly than a radical, innovative measure.

Until now, Britain has been the only country in Europe to charge the same rate of duty for cars, regardless of their size or emissions – and the proportion of small cars sold each year has been falling. Unfortunately the differential introduced by the £50 cut in duty announced yesterday is comparatively tiny. In Germany the difference between the tax paid by the biggest and the smallest cars is *£150*, in Ireland *£600* and Belgium more than £1,000.

The extra £500m promised over three years for public transport is welcome, too – but *only just begins to* reverse the effects of the long neglect by the Conservatives, who seemed to regard "public transport" as an unfortunate oxymoron. The £50m rural transport fund is also worthwhile, but seems to owe more to *Downing Street's panic* at the Countryside March than to any real conviction.

The Chancellor's increase in the landfill tax is merely tightening an innovatory measure introduced by Ken Clarke. And his raising of the annual rate of increase of petrol tax from 5 to 6 per cent (actually announced last *July, but now recycled) just* increases one brought in by Norman Lamont – and the rise is too small to make much difference.

But the real sins are the things that the Chancellor has left undone, that he ought to have done. Only last week, the *supposedly powerful new* Environmental Audit Committee, set up by ministers as "a terrier to snap at the Government's heels", recommended a whole list of them - *including* taxes on pesticides, and water pollution, eliminating the gross subsidies on company cars, and getting rid of the anomaly where builders pay VAT to renovate old buildings in cities but not to build new ones in the countryside. Several *of these were* trailed before the Budget; none were in it.

But perhaps the greatest scandal is that, as predicted in last week's *Independent on Sunday*, the Chancellor has failed correct the ridiculous anomaly which imposes three-and-a-half times as much VAT on energy-saving materials as on the fuel itself. Two years ago the entire Treasury team voted to end it, but in office the saving of a relatively tiny amount of revenue has clearly taken priority.

Far beyond such measures lies the promise of ecological tax reform, which shifts the burden of taxes to pollution and resource use. Studies suggest it could both cut emissions and create 700,000 jobs in Britain by 2005. A year ago, when Mr Brown was outlining his ambitions, it seemed that this might be on the cards. Now it looks as if we were closer to it when Mr Clarke, and even Mr Lamont occupied No 11.

Work for women – but how much will it pay?

JOAN SMITH

CHILDCARE IS ONLY HALF THE PROBLEM

IN THE run-up to the general election last year, women voters consistently raised one issue when *they* were asked what they wanted from the next government: help with childcare. Yesterday they got it, in the shape of a new childcare tax credit which will cover up to 70 per cent of the cost. "Childcare", *said the Chancellor*, announcing the change, "will be affordable for many and not just the few".

Whether this is enough to *lure back to work mothers who* don't currently have jobs remains to be seen. In a sense, thought, it isn't the figure that matters as much as the principle. For many years, mothers entering the workforce faced an extra cost because, quite simply, *they did not have wives to care* for their children while they were at work. The effect of this unofficial tax on working mothers, combined with the fact that women's earnings in this country have yet to catch up with men's, made a return to *work difficult or impossible* for many women.

Gordon Brown's recognition of this extra cost in yesterday's Budget will be welcomed *by all* working mothers, whether or not they have partners. So will some of his other changes, including his announcement of an increase of £2.50 a week in *child* benefit from next April.

This money, because it is *paid directly* to women, is of more direct value to them than tax credits, which put money into the pickets of their husbands or partners. This is bound *to be the anxiety raised by another* of the Chancellor's announcements, the confirmation of his widely predicted intention to introduce a working family *tax* credit from next November.

This will *give* poor families in which one adult is working a *guaranteed* income of *£180* a week. These families will not pay tax until their income rises *above 50 per cent of average* earnings, instead of 25 per cent as at present. But the fact that they will be able to choose the method by which they get the cash – in the pay packet or through a giro cashable at the post office, which is how poor families currently receive benefits – lends some support to fears that the new system will transfer money from women to men. Even in the 1990s, some *women* have husbands or partners who insist on controlling most of the household's assets – and this measure will make it easier for them.

That said, the Chancellor did announce a whole raft of measures which will help women get back to work, particularly single *mothers who want to find* jobs.

Cuts in the rate of National Insurance *paid by employers*, schemes to provide advice and training for the unemployed, even the investment of over £500m in public transport, will *all help* poor women, who are less likely than men to own cars.

The setting up of a £50m rur*al transport fund, although its* benefits will need time to make themselves felt, should make work a real possibility *for* women who live in the 75 per cent of villages where – as Gordon Brown said during his speech – there is at present no *bus service*.

All these measures will help women, single mothers or anyone else, who want *to work* – although they don't do much for mothers who *want to stay* at home with their children. In particular, a change in the rules so that people who take short-term jobs do not lose out on benefits, as they do at the moment, recognises an important fact about the nature *of work in* Britain – that some of the jobs available to women are seasonal, and offer nothing in the way of long-term security. What *the Budget does* not do, however, is as significant as the changes Gordon Brown announced *yesterday*.

Tinkering with NI rates for low-paid workers helps employers. *But it does not* even address the most urgent cause of poverty in Britain, which is the absence of a minimum wage. The briefest visit to any Job-Centre reveals that the kind of work available to many women is shockingly badly paid, well below the figure *of around £4* an hour which gets bandied about whenever the subject is raised. Although the introduction of a minimum wage would benefit all low-paid workers, it would have such a beneficial effect on traditionally "female" jobs as to make this as much a *women's* issue as the cost of childcare.

Women earn less than men; as a result they have much less money to spend, even though their costs are often higher. *The Chancellor's* historic decision yesterday to help women with childcare has tackled half of the equation, *but it leaves* an equally important area untouched. According to the Government's own *figures*, women have roughly half as much independent gross income as men, *whether that* money comes from a job or state benefits

The introduction of the working family tax credit next year may have the unwanted effect, as we have already seen, of transferring money currently *paid* to women to their husbands or partners. And the Government's willingness to help employers, signalled in several measures yesterday, suggests a state of mind which may be temperamentally unsuited to tackling the really big issue of the way that women's work, even in the 1990s is still not valued or remunerated as highly as *men's*.

THE INDEPENDENT

Drab and dogged – and all the better for it

OH GORDON, you'd be wonderful in the pulpit, but terrible on the stage. After the louche theatricals of Tory Budgets past, this was a drab affair in the very best sense. You didn't think that drab could be a term of praise? Well, wait.

Tory Budgets, particularly under Geoffrey Howe and Nigel Lawson, were dramatic, gripping events, part of the national theatre. In the Commons there was a crash of ideologies. The state was under attack, direct taxes were cut and, to many, the whole post-war settlement between rich and poor was being reversed. Backbench MPs shouted themselves hoarse; Chancellors swaggered and revelled in "ooh, ah" denouements.

But had you closed your eyes yesterday, you would have found much of what the Chancellor said about fiscal prudence, welfare dependency, the importance of small business enterprise and the disease of red tape to be strikingly similar to Conservative rhetoric during Budgets past – only a little less rhetorical.

The days of thunderous confrontation are over. Giving an instant response to the Budget speech is the hardest job an opposition leader has to perform each year, and William Hague was very good – sharp, wry and unflustered. Yet his best point was the extent to which Brown was building on the legacy of Kenneth Clarke: hardly a killer soundbite.

So we are saying, are we, that this was an essentially conservative Budget? No. There was a wide enough gap in philosophy to help reshape this country, and ample evidence of the evolving politics of Labour – including the state of relations between Brown and Blair.

Note first that Brown is doing for the would-be-working poor what Lord Howe did for the better-off and for entrepreneurs in the early 1980s. It was always a good left-wing point to ask why Conservatives thought the rich needed incentives, in the form of lower taxes, to persuade them to work; while the poor got only sticks and harangues. This Budget answers the point logically and fully. Its most substantial element was the demolition of the tax hurdles which have kept people from exerting themselves and taking low-paid work rather than staying on welfare.

It will change lives for the better. It was not, though, an entirely comfortable challenge from the People's Government to the people themselves. If this policy succeeds, then it come as a shrill wake-up call in many houses round the country. As Brown put it, it is everyone's responsibility to look for work, and if you get work, *he will make sure it pays.*

What if there isn't work? The measures for industry and business had the usual injections of gimmickry that make the Treasury feel clever, but Brown's overall package for small business in particular was sound and will help the supply of jobs for those being prodded, blinking, into the chill daylight.

It is all very Scottish and moral, in a 19th-century way. Add the (not very substantial) extra money for health, education and transport, and the help for low-income families with young children, the small boost for the young homeless and Third World charity, plus the welcome help for museums and galleries, and one sees a starkly different set of priorities than we got from Tory Chancellors.

Brown isn't giving "Labour's people" many handouts. But he is helping them nevertheless, focusing on the "bottom dog" rather than the "top dog". He is using *the Treasury as an instrument of* social policy. He is, therefore, distinct from his Conservative predecessors. To put it simply, he is a believer in state activism and social engineering – which they shrunk from. But, if none of this will cheer up the Tory converts, it won't have riled them either. Tony Blair's special relationship with Middle England put a limit on any redistribution.

Thus the best news for middle- and higher-income voters was that the leaks suggesting the abolition of mortgage interest tax relief, or a crackdown on company cars, or the taxation of child benefit this year, simply never materialised. It will anger the left and environmentalists; but we can think of it too as Uncle Tony's jokey little present to the *Daily Mail.*

So what extra do we know about New Labour this morning? We find that it is genuinely determined and dogged in its crusade to get people into work, and that *it is, if anything, even more prudent* than we thought.

We notice, too, that this conscientious attitude is circumscribed by Labour's equally strong diffidence about alienating its new and better-off voters. Result? It is doing what it said it would do, but at a teeth-grindingly careful pace. It may have been about as thrilling as a wet Sunday in Perth. But then again, Perth is a decent, solid sort of place. You don't go to Perth for thrilling.

That's what we do know. What we don't know is what will happen when the Government hits harder times. There is a certain complacency about New Labour's constant comparisons between its Cromwellian virtue and the cavalier misbehaviour of the Tories. All they did, in fact, was to spend to counter the social effects of recession; and then to deliver the economy in very good shape. This was a fair Budget, modest in scale but big in hope. That, for the timing being, is fine. But it's a little bit early for hubris.

Andrew Marr
Editor in Chief

Labour sticks to the old ways of social engineering

SHEILA LAWLOR
BENEFITS FOR THE FAVOURED

GORDON BROWN'S Budget has re-opened the question about which the party since the election has been largely silent. Will Labour in office go Blairwards to become in practice the inclusive party of classes and masses alike? Or does its hankering after the class war and the old certainties of the left spell an end to truce?

Yesterday's Budget tells us much about the battle for the soul of the party and its progress. Gordon Brown's rhetoric may have been couched in New Labour terms. But the plans and direction *suggest a ruthless determination* to use language and tone to ends quite at odds with what New Labour thinks it stands for.

Take the family. Having trailed his child-friendly photos as heavily as he trailed his Budget leaks, Brown presented his project for children. Child Benefit would go up. There will be an allowance for childcare which would help mothers back into the labour market. And the special provision for childcare for single parents will be extended to the partners of the unemployed. Project child is therefore to be partnered by project work. The working family tax credit will replace family credit with a basic minimum income of £180 and no tax to be paid before £220 is earned. And, on Welfare to Work, the scheme, which will be extended nationwide, will cover the young unemployed after six months and the older unemployed after two years.

But although Brown's proposals may be couched in terms of children and incentives to work, there is a side that may turn out to be more old than new Labour. Despite the Blairite message that new Labour is not anti-conservative, and the status quo ante would be maintained, Brown's Budget *may signal a different direction.* If taxing child benefit is on the cards, as Brown has heavy-handedly hinted, this will take Labour further away from the incentive society into which it put the boot when it abolished the child tax allowance in the 1970s, in favour of a universal benefit for all children.

The proposals to pay or set an allowance for childcare favour the family of the working mothers, over the stay at home mum. They also favour poorer, over only slightly better off families. The new realism of New labour has returned that icon of progressive social policy to centre stage – the working mother – as the symbol with which our century will close. She is now an official part of the new project, and all the more valued if her partner is unemployed and if she is poor and takes the bribe to work outside the home.

Just as the century ground through its dreary states of social engineering, so in Britain it looks set to close. There will be special treatment for social projects of a progressive kind, promoting the sort of society that less democratic governments have already tried and failed to create. This is not *just* redistribution to the poor at the cost of those better off. It is re-distribution for approved lifestyles, for favoured groups determined by a highly centralised government.

Mr Brown's Budget speech was, not surprisingly, full of references to the supposed failures of the previous administration. By temperament and ideology he is blind to one of its unsung, but genuine successes. By the mid-1990s the Conservatives had finally signalled the demise of government as social engineer. It was starting to see that in the fraught area of social and family policy, government must remain neutral as between different lifestyles. The married family had had a bad deal from the state since the 1960s, in terms of tax benefits and the allocation of resources. The Conservatives had begun to redress the balance by changing the terms of the debate to one of neutrality. Much still needed to be done. Blair's implicit promise to the voters of Middle England was that it could still be done under New Labour. As his Budget has indicated, despite his gloss of New Labour, business and saver friendliness, Mr Brown is really old Labour to the roots. He will not abandon old Labour's *beloved projects of social engineering.* The question is will middle England abandon him?

Sheila Lawlor is a direct of the independent think tank Politeia.

The Big Idea: opportunity, aspiration, enterprise

DONALD MACINTYRE
LABOUR'S NEW LEXICON

FROM a Chancellor imbued with a distinctively Presbyterian work ethic, this was a Budget for work – for those who provide it almost as much as for those who desperately need it. The least trailed, most unexpected, and most distinctively different feature from Labour Budgets of the past was the way it revelled in its own business friendliness.

It was not simply that Gordon Brown did what the more interventionist Tory ministers had thought about but always failed to persuade their colleagues to enact – namely the reform of Capital Gains Tax in order to penalise the short-term speculator at the expense of the long-term productive investor. It was also the Chancellor's promise to put a ceiling on a lowest-ever rate of Corporation Tax, at 30p, and a ceiling on Small Companies Tax of 21p. The Chancellor was as comfortable with words like entrepreneur as any of the most ardent 1980s Thatcherites had been. This was perhaps the most distinctively New Labour aspect of a supremely New Labour Budget. And it was heard with enthusiasm by most of the MPs behind Brown, pointing at their Tory counterparts as if gloating at their seizure of the high ground of the enterprise economy.

But the Budget played well among most of Brown's party colleagues because of its elevation of the chance and incentive to work for the worst-off, those dependent on benefits, to the status of the Government's Big Idea. Yes, there were those who, taken aback by the breathless pace of the announcements, and the sometimes perfunctory explanation in the speech of some of the measures, were left unsure of what the overarching theme had been.

And although the Chancellor announced *£1.5bn in tax-*avoidance measures over the next three years, there was not, perhaps, the full-scale assault on those who escape Inheritance Tax that there might have been. Moreover, like every modern Chancellor before him, he used the language of greenery to disguise his desire to improve *the* revenue from taxes on fuel.

But because so much of the Budget's social agenda had been trailed in advance, it's easy, but wrong, to underestimate the overall impact of the changes from the new Family Tax Credit, to the provision of help with 70 per cent of the costs of childcare to those earning up to £30,000, and the increases in child benefit. Last night the Budget was already doing a good deal to clear away the damage left by the ill-thought-out and badly presented cuts in lone parent benefit.

The measures – without abandoning the principle that lone parents should not receive more per child than two-parent families – will now also ensure that single mothers who want to work won't be discouraged from doing so because they will receive a lower rate of *benefit if they subsequently* lose their job. The fact that Gordon Brown is now also contemplating the taxation of child benefit for higher rate payers, despite all the problems it will mean for the principle of independent taxation for women, was also taken on the Labour *backbenches* as an earnest declaration of his willingness to redistribute within the benefits system. And although they – more or less – knew it was coming, Labour MPs were equally delighted by yet more money for the two public services that Blairism is unquestionably dedicated to improving, education and the NHS.

This was in the end a Budget which hit the middle classes, if you use the term in a very particular sense. The reach of its childcare provisions went way above the average earnings level of around *£19,000* a year. Brown announced a graceful retreat from the deeply controversial clampdown on existing PEP savings accounts. The employers' National Insurance changes will affect everyone in work from the lowest to the highest-paid. And he skilfully presented the planned taxation of child benefit – which will anyway only affect those earning more than twice the average – as an entirely reasonable *quid pro quo* for increasing the benefit itself. This was not a good Budget for childless, idle, male tax-avoiders who pollute the atmosphere with environment unfriendly *cars and who not only use pri-*vate schools and healthcare but also don't mind what the NHS and the state education are like. But there was something for nearly everyone else.

What made this possible, of course, was the extraordinary improvement Brown's iron control of public spending – and, to be fair, the hits on pension funds and businesses which he made in last year's Budget – has wrought in the public finances. Brown's pride in this and his repeated proclamation that it was "prudence with a purpose" once again reminded the electorate that he is not going to squander "the people's money" as previous Labour governments have done. But it also reminded the City – and perhaps, above all, the Bank of England's monetary policy committee, that to the extent that fiscal tightening is essential to bringing down interest rates and reducing the export-destroying strength of the *pound, he has played his part.* It is now up to them, entrusted by him with the full control of monetary policy – to do the rest.

For as he knows better than any of his colleagues, it is the feared hard landing of the economy and a consequent recession which most threatens to undo all the good work that yesterday's Budget has done to promote work and to bring men and women off their benefit dependency and into jobs. The balance of the judgment that the Bank makes next month will determine more sweepingly than all his microeconomic measures yesterday can do whether the jobs are there from those liberated from all the poverty traps which keep Britons in the bleakness of benefit dependency. But for most Labour MPs last night, that was something to worry aboutin the weeks and months ahead. It was a Budget speech which, unlike many of Brown's previous speeches, *hardly at all used old Labour* language to clothe New Labour ideas. Opportunity, aspiration, ambition, enterprise: they are all Labour words now. And the party recognised it.

public spending p16

MUSEUM CHARGES

Extra cash will help keep free admissions

By David Lister
Arts News Editor

A TWO-TIER range of national museums was effectively guaranteed by the Chancellor yesterday as he promised continued free admission to the national museums that do not charge.

The Budget also made available £5m a year for a New Audiences Programme with the aim of giving cheap theatre, dance, music and opera tickets to young people.

While there was welcome news in the guarantee that currently free museums will remain so, there will be anger in the national museums which charge that money has not been found to give them free admission too.

Dr Alan Borg, director of the Victoria and Albert Museum, is on record as saying he would be furious if money went to the British Museum to keep it free but not to the V&A, punishing it for good housekeeping. However, yesterday he would only say: "Any money for the arts is good news."

David Barrie, director of the National Art Collections Fund, which has been in the forefront of the fight for free admissions, expressed disappointment. "Any extra money is welcome, but frankly this looks more like a stop gap than a long term solution. Moreover, it does very little for the charging museums," he said.

In his one sentence reference to museums, Gordon Brown announced that extra money would be made available to help museums and galleries which do not currently charge for admission to maintain free admission in the coming year. *The Independent* campaigned for free admission throughout last autumn.

According to the Department of Culture, Media and Sport, there will be a £9m boost for access and education at museums across the country. Broken down, this amounts to: £2m to ensure free admission is maintained at the National Gallery, National Portrait Gallery, London's Tate Gallery, the British Museum and the Wallace Collection; and a £7m fund (£2m of new lottery money topping up an existing £5m fund) from the Heritage Lottery Fund for access and education work (not free admission) in other national and regional museums across the country.

What aspects of education and access will be paid for from the latter fund have yet to be announced. Museums will have to apply to the fund with access schemes (such as cheap or free access for those on low income). But the fund is too small to allow the charging museums to give free admission to everybody.

So, the Tate, National, National Portrait galleries, British Museum and Wallace Collection are assured funds to retain free admission. The money will be renewed on an annual basis. The Culture Department will be able to find the money from changes, also announced in the Budget, to the Acceptance in Lieu scheme. Up until now the Inland Revenue has been reimbursed from the Culture Department's budget for the amount of tax satisfied under the AIL scheme. This reimbursement arrangement now ceases.

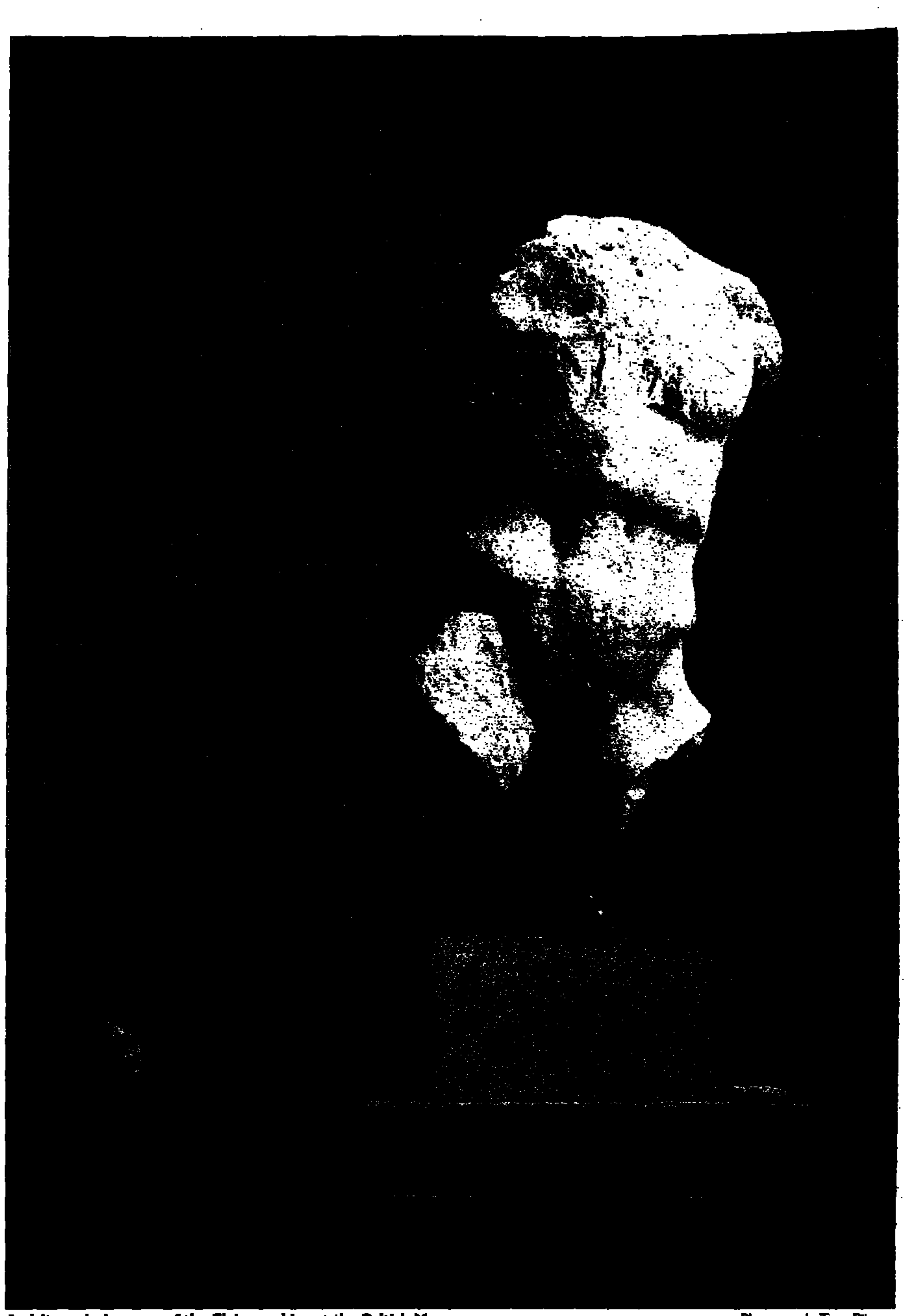
But there is to be no money for the Victoria and Albert Museum, Science Museum, Imperial War Museum and National Maritime Museum, all of which have compulsory admission charges.

The Chancellor's announcement was immediately welcomed by the director of the Tate Gallery, Nicholas Serota. He promised that it "will allow the trustees of the Tate Gallery to maintain free admission to the collection in the next year and hopefully well beyond. We applaud this early sign of the Government's long term commitment to steadily widening access to our national and regional collections."

The New Audiences programme will help theatres, opera, dance and music companies to encourage young people to participate. The programme embraces a number of initiatives including encouraging theatres to mount "pay what you can" evenings.

Details have yet to be worked out, but Culture Secretary Chris Smith said last night: "I look forward to the time when enjoyment of live theatre, music and dance becomes part of everyone's experience no matter where they live." And Arts Council chairman Lord Gowrie added: "I unconditionally thank and congratulate the Government for going a long way to restore the cash cut to the arts announced in December."

The DCMS has found the £5m for the New Audiences programme because the strength of sterling has reduced the amount which it has had to commit to European Regional Development programmes.



A visitor admires one of the Elgin marbles at the British Museum

Photograph: Tom Pilston

HEALTH

£500m injection to boost NHS

By Jeremy Laurance
Health Editor

THE PROSPECT of record NHS waiting lists prised an extra £500m from the Chancellor yesterday, bringing the total additional funding for the health service for 1998-99 to £1.7bn above what was planned by the Tories.

Lengthening hospital queues, which have swelled by more than 100,000 since the Labour government took office last May to 1,262,300, have meant extra pain and discomfort for patients but have guaranteed continuing Government largesse for the NHS.

It was the spectre of Labour MPs marking the NHS's 50th birthday in July with a visit to the grave of its founding father, Nye Bevan, as waiting lists continued to soar that forced the Chancellor's hand. He first opened the Treasury coffers last summer pledging an extra £1.2bn for the NHS for 1998-99. Fears of a winter crisis in hospitals with rising emergency admissions extracted a further £300m last autumn for 1997-98.

Yesterday's pledge of an extra £500m for 1998-99 brings to £2bn the total extra funds invested in the NHS by the Government in its first 10 months in power.

Medical organisations reacted cautiously. Cutting waiting lists by 100,000 was one of Labour's five key election pledges. To achieve that pledge, which Frank Dobson, the Secretary of State for Health, has promised to do before the next election, will mean reducing the now increased waiting lists by 200,000 – and they are still rising.

Jennifer Dixon, a health policy analyst at the Kings Fund, the NHS think tank, said: "The waiting list pledge was a very good one to make because it means the health service keeps receiving these financial Band Aids. It is very good news for the NHS."

Experts say that while short term measures can cut waiting lists they tend to rise again as soon as the measures are withdrawn. The NHS Confederation, representing health authorities and trusts, said the extra money meant there was "a good chance" of solving the waiting list problem but long term changes were necessary and "a great deal more real money is still needed to tackle vital improvements in the NHS".

The confederation said the increased funding for 1998-99 amounted to 2.29 per cent in real terms, £285m short of the 3 per cent needed to allow the NHS to meet the demands of medical advances, an ageing population and rising demand.

Stephen Thornton, chief executive of the confederation, said: "This should be a first instalment to sort out the problems of funding the NHS."

The Institute of Health Services Management said a long term commitment to an annual 3 per cent increase was essential. "Sporadic rescue top-ups will not solve the critical funding crises of the NHS," it said.

The Liberal Democrats warned that the rise fell short of the 3 per cent the NHS needed to stand still. Simon Hughes, the party's health spokesman, said: "The result will be a continued rise in waiting lists despite Labour's manifesto pledges, more community hospital closures and fewer nurses."

EDUCATION

£250m to improve schools and skills

By Judith Judd
Education Editor

TEACHERS welcomed the Government's decision to spend an extra £250m on education after predictions that schools were likely to be disappointed.

But Liberal Democrats accused the Chancellor of taking the Tory route and said that inflation wiped out the value of the extra cash.

Details of how the £250 will be distributed will be announced tomorrow but £100m will go on updating adults' skills as part of ministers' commitment to Lifelong Learning.

The rest will go to schools, including another £10m to speed up the programme of education action zones, testbeds for educational experiment in deprived areas.

Five zones were scheduled to be running in the first year from September. There will now be 25 in place from January next year. Sixty bids from partnerships wanting to run zones have been received and more will be set up in due course.

In his first budget last July, the Chancellor announced an additional £2bn for schools to fulfil the Prime Minister's pledge that his priority would be education, education, education.

Since then, a further £165m has been promised for universities and £100m for further education.

Yesterday the Chancellor announced a £50m venture capital fund, including £20m of public money, from which universities will be able to bid for research projects.

Don Foster, the Liberal Democrat education spokesman, said: "With tough choices before him, the Chancellor has taken the easy route – the Tory route. He has failed to deliver the much needed major boost in investment in education.

"The funding crisis in our schools colleges and universities will continue. Meeting even the early, though modest pledge on class sizes is now in doubt. On education funding what distinguishes this government from the last is the spelling of their names."

Doug McAvoy, general secretary of the National Union of Teachers, said: "The Chancellor's recognition that improvements in education cannot be achieved without money is welcome. Two hundred and fifty million pounds is a start in overcoming the severe materials and resource shortages in our schools.

"Sixth-formers have told the NUT that one of the major disincentives to becoming a teacher is knowing they will not have the tools for the job. Two hundred and fifty million pounds will not wipe out all problems but children will be the beneficiaries."

Graham Lane of the Local Government Association said: "This is good news. It will mean smaller classes and a bit more for books in schools."

Eamonn O'Kane, deputy general secretary of the National Association of Schoolmasters Union of Women Teachers, welcomed the money but pointed out that schools in some shire counties were still struggling to balance the books. "Whether the money will be sufficient in the long term remains to be seen," he said.

David Triesman, general secretary of the Association of University Teachers, said that higher education was the Chancellor's poor relation. Diana Warwick, the chief executive, added: "Universities will stand ready to play their part in the venture capital fund. But it is essential that the Government's comprehensive spending review delivers necessary public investment to maintain basic research equipment which underpins innovative research in universities."

Oxford and Cambridge to keep £35m fee bonus

By Judith Judd
Education Editor

OXFORD and Cambridge will keep the bulk of the annual £35m they get in extra college fees.

This year, the colleges will receive the fees, which pay for libraries and pastoral support for students, in the usual way. Next year, the money will go to the universities to distribute to colleges.

The amount Oxford and Cambridge receive will recognise the quality of their research, the standard of teaching and their need to maintain ancient buildings.

A new premium for good teaching, available to all universities, will be introduced, but Oxbridge is expected to receive a substantial share.

Government sources said: "The expectation is that there would be no precipitate reduction in college fees."

After a period of about seven or eight years, the Government estimates that each university will be receiving about £23m of the present £35m, taking into account the efficiency gains which the Treasury is expecting from all universities.

Yesterday's decision ends a battle between the Prime Minister and David Blunkett, Secretary of State for Education and his department. Mr Blunkett wanted payment of the fees to depend on greater access to the two universities for state school pupils. Tony Blair did not want to antagonise a powerful lobby for a comparatively small sum of money.

Oxford University welcomed the Government's accent on protecting the excellence of the teaching and research at the university and "the important role played by the colleges in this", but was dismayed about the proposal on efficiency gains.

TAX AND BENEFITS

National Insurance proves a reform too far

By David Walker

MARTIN TAYLOR, the old Etonian banker drafted in by Gordon Brown to review work incentives, rejected the most dramatic options for reform. Abolishing the National Insurance system, so that employers and employees dealt with only one tax system, was a "major policy question" and was, he confessed, beyond him.

Similarly, the full integration of NI payments and income tax was resisted. The jungle surrounding Housing Benefit – with Family Credit and council tax benefit one of the three main means-tested benefits paid to those in work – is being left to

The conclusions of their review to be published later in the year.

But Mr Taylor did make some radical recommendations in his report, some of them immediately accepted. To others, the Chancellor has yet to respond. Among the latter is Mr Taylor's strong urging that that just as men and women living together are now taxed separately, so men and women living together as couples should have separate and equal access to social security benefits.

This "individualisation of benefit payments" could have major consequences for women in poor families and their work incentives. It may also spark concerns that, for all Mr Brown's

ily, the fiscal system is increasingly indifferent to whether people are married or not.

As for Mr Taylor, he is clear on this point. "I believe that wherever possible, Government should avoid framing special rules for categories of people based on their social or family arrangements. These tend either to encourage people to structure their households in a particular way in order to receive money from the state, or else to make it more expensive and onerous for them to live in the way that suits them. Neither outcome would be desirable."

It has been a very busy time for the chief executive of Barclays since, within days of the election last year, he was asked to become an unpaid government adviser. (His private sector salary last year was more than £800,000 plus perks.) During the past months, as well as learning the rules of political engagement, he has sold off Barclays loss-making broking arm, BZW, entered merger conversations with NatWest and considered taking over Standard Chartered. Mr Taylor has, if press reports of his diary are to be believed, eaten a lot of sensitive and secret dinners.

But if Mr Taylor has made use of his new connections to the seat of political power, the Government has used his, too. As adviser to the Treasury, his main task has been to supply the Chancellor with a particular kind of "cover" for his reforms. Mr Taylor's business credentials are strong and to them he has added a large scale exercise in consultation with the business community.

Mr Brown said Mr Taylor's appointment "harnesses the drive of the private sector to the expertise of government departments to streamline both our tax and benefit systems."

Mr Taylor has not taken up some of the more radical suggestions made to him by business people, for example, aligning liability to pay National Insurance with the Pay as Your Earn scheme for income tax.

The reason he gives for rejecting the proposal is a lame one, that it would require radical overhaul of PAYE. His own suggestions for the Working Families Tax Credit acknowledge that employers are going to have be a lot more actively engaged in administering the system than they currently are.

In his Budget speech the Chancellor announced he was immediately taking up most of Mr Taylor's recommendations on National Insurance, especially on the lower earnings limit – the wages level at which employers start having to make a contribution.

The current system, he said "imposes a burden on the low paid and distorts the labour market – there is clear evidence of bunching of employees below the limit."

Similarly, the Taylor report's hearty recommendation of a tax credit for working families looks to have been entirely absorbed into the Working Families Tax Credit. But critics of the abolition of Family Credit will note Mr Taylor's misgivings about the reliance the new system places on employers – not to snoop on their employees, not to use their knowledge of family circumstances to bring wages down.

At this point, Mr Taylor drops a big hint that personally he is keen to see the introduction of a minimum wage. Any attempt by employers to use their new found knowledge to cut wages would fail if the introduction of a minimum wage established a floor for earnings.

BUDGET BITE

In 1990 Lindi "Miss Whiplash" St Clair finally lost a 15-year legal battle against the Inland Revenue, claiming that her paying taxes meant that the state was living off her immoral earnings.

PUBLIC FINANCES

Iron Chancellor betrays a touch of velvet by resisting a hike in the tax burden

DIANE
COYLE

GORDON BROWN turned out to be concealing a hint of velvet behind his Iron Chancellor exterior.

The measures in yesterday's Budget amounted to almost no change in the tax burden this year followed by small increases subsequently, these mainly due to alterations in the timing of corporation tax payments.

Extra money has been directed to the new Working Families Tax Credit and Childcare Credit, with a bit more cash for spending priorities too. Mr Brown has also trimmed his forecasts for future government borrowing.

Analysts in the financial markets had expected Gordon Brown to be tougher and, if anything, to raise the tax burden. There was disappointment that he had not done enough to ease the pressure on the Bank of England to raise interest rates.

"The Chancellor is injecting money back into the economy. Public borrowing should be falling faster at this stage of the cycle," said Ciarán Barr, an economist at Deutsche Morgan Grenfell. The Budget sent the pound even higher on the foreign exchanges as traders pencilled in higher expectations for interest rates.

Yet yesterday's announcements come on top of a far bigger tightening of fiscal policy in the current year than anybody had expected, equivalent to about 2 per cent of GDP. As well as the tax increases announced or confirmed in the mini-Budget last July, the firm control of public expenditure has made policy extremely tough.

Mr Brown has therefore been able to carry forward an underlying improvement in the Government's financial position of roughly £7bn.

The tax changes announced are neutral for 1998/99, and raise about £1bn in subsequent years. Even that increase is due to the cashflow benefit of a switch to quarterly corporation tax payments. Without it, there is a net Budget giveaway of around £700m a year.

With additional spending amounting to just under £2bn in the next year (including an increase in the contingency reserve for emergencies), the Treasury has revised down its forecasts for future borrowing slightly.

Where November's Pre-Budget Report pencilled in a PSBR of £9.5bn in 1997/98 and £4.5bn in 1998/99 (including the windfall tax), the Budget Red Book has new predictions of £2.6bn and £2.3bn.

Some critics have been arguing in favour of less austerity in the government's finances. Paddy Ashdown, reacting to Mr Brown's statement, said the Government was still underfunding public services.

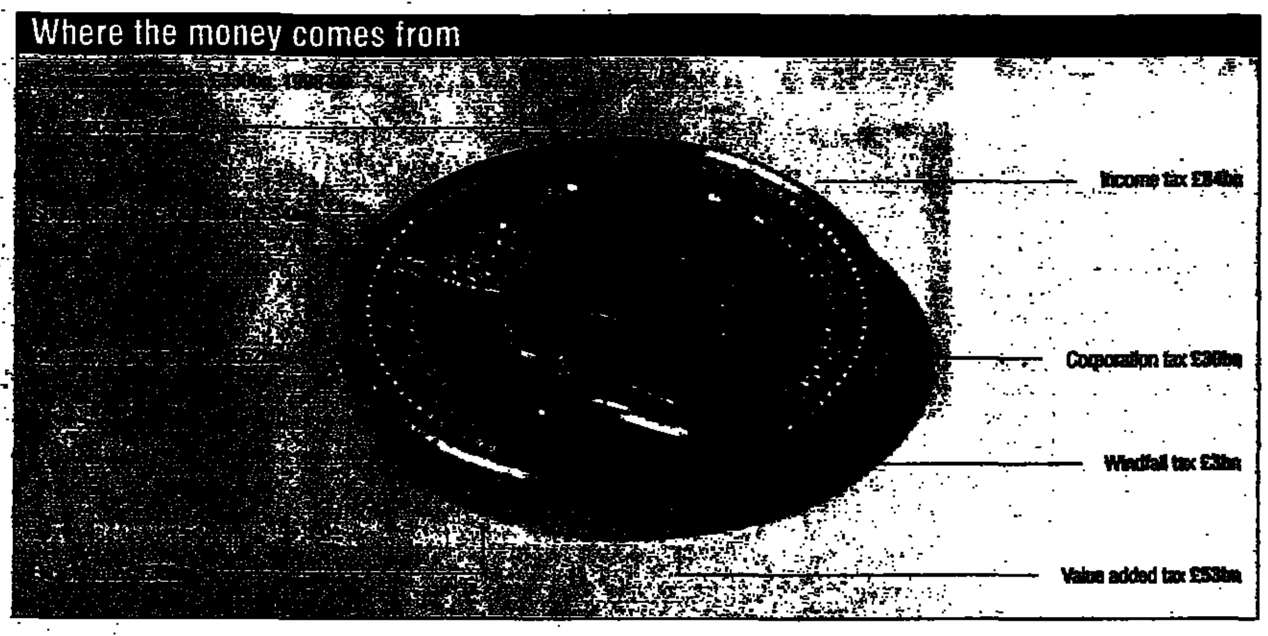
Malcolm Bruce, the Liberal Democrat's Treasury spokesman, reacting to astonishingly good borrowing figures just yesterday morning, said: "It now looks as if the public finances are virtually back in balance this year, yet Gordon Brown still insists on sticking to Tory spending limits which were set at a time when Britain had a big borrowing problem."

There could have been no clearer demonstration of Mr Brown's long-term prudence than his announcement on Monday of the introduction of a new "code for fiscal stability".

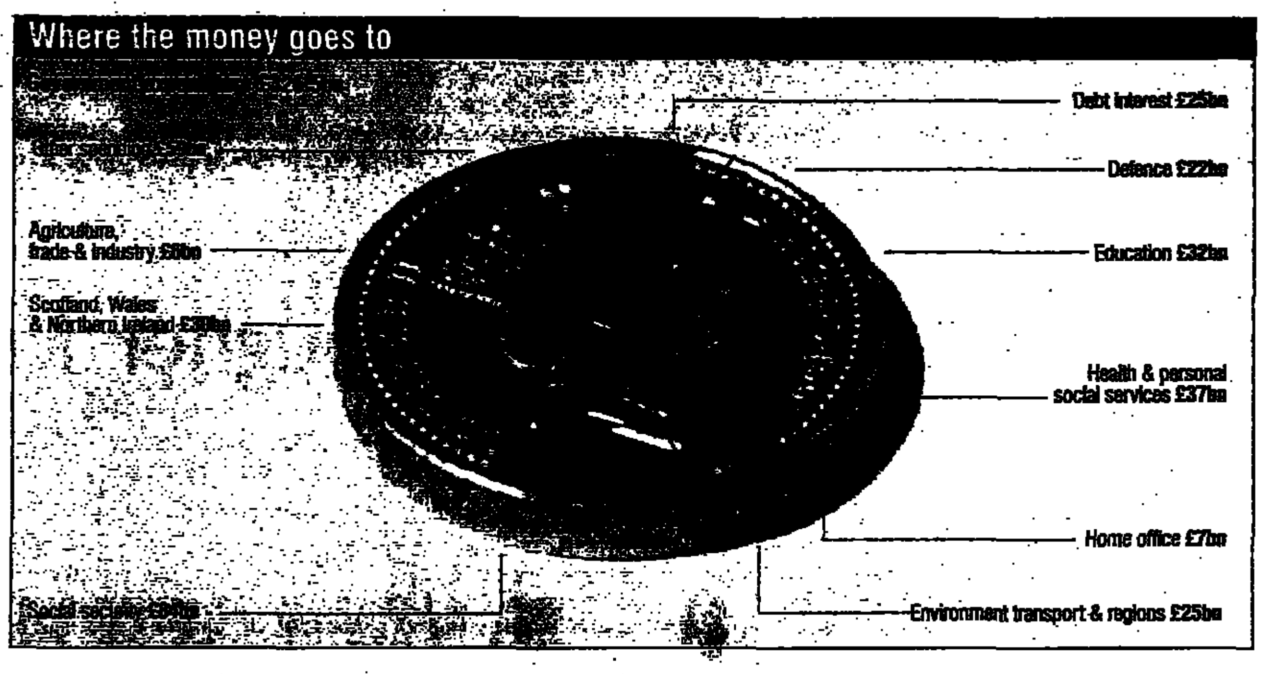
This will require all future chancellors, by law, to set out sustainable spending and revenue plans. The plans will have to be fully documented and subject to parliamentary and public scrutiny. The code will be given a statutory basis in the Finance Bill.

"He is making sure that come hell or high water his strategic plans will not be pushed off track by a downturn later. The economy can just fall away from you and send borrowing soaring," said Kevin Darlington, an economist at ABN Amro.

Where the money comes from



Where the money goes to



Yet the new plans, set out yesterday in the Red Book, do take some advantage of the greater than expected improvement in the Government's finances since his July Budget and his November Pre-Budget Report. It has not all gone on pleasing the City, for the needs of welfare reform and spending pressures in health and education have proved too great to resist.

The forecast PSBR is the difference between two £300bn-plus numbers, and is typically out by £1bn for every year into the future it is being predicted.

This is how the arithmetic stacks up now. The Chancellor has stuck close to his inherited Control Total – as it name suggests, the part of expenditure the government can control – of £274bn for 1998/99.

Within this, he has actually increased the contingency reserve for unexpected emergencies by £500m to £2.5bn for next year, responding to criticism that it had been cut a bit fine.

Since May, Mr Brown had already found extra money for some priority areas such as health and education as well as his New Deal. But the Chancellor has counted both spending on welfare to work financed from the windfall tax and local authority expenditure financed from capital receipts as being outside the Control Total. This amounts to £1.8bn in 1998/99.

To reach the final spending total, cyclical social security spending and interest payments on government debt have to be added. These have turned out lower than expected thanks to falling unemployment. But higher inflation than forecast will add about £600m to the social security bill from April, when benefits are uprated.

Altogether, total government spending is virtually the same as the £332bn the Treasury forecast in November. The strong economy has helped but just as important has been the tough control from Whitehall.

When it is implemented, the new Working Families Tax Credit will appear to reduce spending. But as it replaces a benefit, Family Credit, with a tax credit, it will reduce tax revenues by an equal amount.

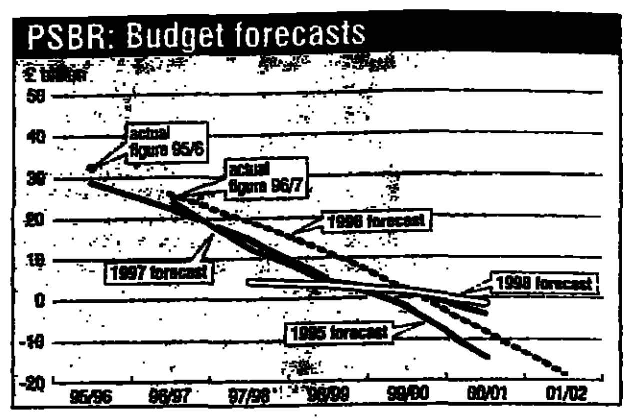
On the other side of the equation, revenues are being underpinned by a series of tax increases, some inherited from the Conservative government, some pre-announced in July. But the key to the outlook is the health of the economy.

The Red Book sensibly makes cautious assumptions. The total for government receipts, at £330bn, is just £4bn higher than the November forecast.

In the longer term, the Treasury predicts receipts will grow in line with a trend growth rate that is, at 2.25 per cent, on the low side of the possible range.

Even on this cautious view, the PSBR will vanish by 2000/01 at the latest, the Red Book predicts.

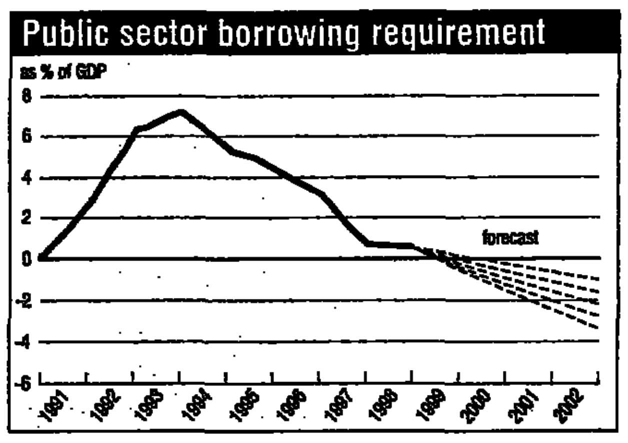
PSBR: Budget forecasts



The Budget arithmetic

£ billion	Outturn 96-97	Forecast 97-98	Forecast 98-99
Receipts	288.1	315.7	333.0
Current expenditure	308.3	314.5	327 5
Current balance	-20.2	1.2	5.5
Net capital spending	8.7	6.3	7.0
Privatisation proceeds & other financial transactions	4.2	2.5	-0.8
PSBR	22.7	2.6	2.3
PSBR as % of money GDP	3%	0	0
PSBR excluding windfall tax	22.7	5.0	3.9

Public sector borrowing requirement



ECONOMIC FORECASTS

'Realistic' view of inflation is seen as a slap in the face for the Bank

By Lea Paterson

THE CHANCELLOR of the Exchequer yesterday stuck to his forecasts for inflation, saying the rate would peak at 3 per cent this year and hit the target of 2.5 per cent in 1999.

But Gordon Brown's failure to revise downwards his forecasts in his Budget speech was seen by many in the City as "implicit criticism" of the Bank of England.

He also cut his forecast for economic growth for this year but predicted the economy would bounce back faster than expected in 1999. Mr Brown now predicts economic growth in 1998 will lie between 2 and 2.5 per cent.

In November, the Treasury said economic growth in 1998 would lie between 2.25 per cent and 2.75 per cent. He also slashed his predictions for export growth, citing the Asian *turmoil and the strong* pound.

The Bank of England is forecasting that the economy will hit the inflation target of 2.5 per cent later this year, while the consensus view in the City is that inflation will lie at 2.75 per cent in the fourth quarter of this year, and will not hit the Bank of England's target until 1999.

'Growth this year and next will depend crucially on what happens to wage inflation ... If wage bargaining proceeds in the same short-termist way as in the past, growth this year could slow to 2 per cent'

Mr Brown's predictions are therefore higher than those of the Bank, prompting some economists to interpret his unchanged *figures as* "a slap in the face" for the Bank.

"It's an implicit criticism of the Bank for not having raised rates", said one economist.

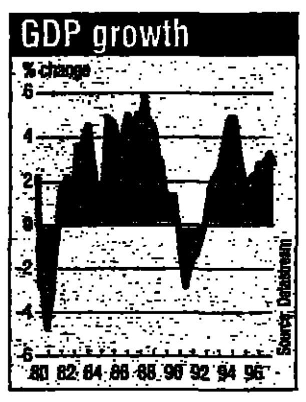
Mark Wall, economist at Deutsche Morgan Grenfell (DMG), said the Chancellor's failure to revise his inflation projection downwards showed the Government "is taking a more realistic view on inflation than the Bank of England".

Mr Brown's predictions on economic growth are now in line with those of the City, and are slightly more pessimistic than those of the Bank.

Mr Brown has also revised downwards his estimate of economic growth during 1997 from 3.5 per cent to 3 per cent, a move which reflected "a deterioration in net trade performance, as the appreciation of sterling over the past 18 months began to impact on trade volumes", according to the Treasury.

Speaking in the House of Commons yesterday, Mr Brown said: "A deteriorating situation in Asia has forced all governments to revise downwards their forecasts for growth. And while this government contributed to swift international action, continuing uncertainties require continuing vigilance."

GDP growth



One economist commented: "The economy is past its peak, *it's still very strong, but it's* gently easing down".

Mr Brown warned that UK economic growth would lie towards the lower range of forecasts if employers failed to exercise wage restraint.

He said: "Growth this year and next will depend crucially on what happens to wage inflation over the coming year. If our Welfare to Work reforms can be complemented by responsibility across the economy, we could achieve 2.5 per cent growth this year. But if wage bargaining proceeds in the same short-termist way as in the past, then growth this year could slow to 2 per cent".

"There is certainly the risk that wage growth could deflate economic growth," agreed one leading economist.

Mr Brown forecast that growth would be between 1.75 and 2.25 per cent in 1999 and between 2.25 and 2.75 per cent in 2000.

In November, the Treasury said the economy would grow between 1.5 and 2 per cent in 1999.

The Chancellor has also revised his *estimate of the "output gap"* – or the extent to which gross domestic product (GDP) growth exceeds its sustainable level – since November. Weaker than expected output growth in the fourth quarter of the year meant that GDP was around 0.5 per cent above its trend level rather than 0.75 per cent, the Treasury said.

As in his November pre-Budget statement, the Chancellor said the figures towards the lower end of his economic ranges were "consistent with a projected trend growth rate of around 2.25 per cent a year".

The Chancellor reaffirmed his commitment to cut the sustainable rate of unemployment (the Nairu), saying that a fall in *the Nairu could be equivalent* to trend output growing by 2.75 per cent in 1998 and 1999 and gradually reverting to 2.25 per cent by the end of 2000.

The Chancellor has also revised upwards his forecasts of growth in consumer expenditure, again interpreted by many as implicit criticism of the Bank. Consumer expenditure is now forecast to grow between 3.75 per cent and 4 per cent in 1998 – compared with a growth rate of 4.5 per cent in 1997 – and to slow further to a growth rate of 1.75 per cent and 2.25 per cent in 1999.

In November, the Chancellor said the growth in consumer expenditure this year would lie between 3.5 and 3.75 *per cent in 1998,* and between 1.5 and 2 per cent in 1999.

One economist commented: "Consumer expenditure is bound to start coming down this year as the economy as a whole slows."

Net trade is expected to continue to make a negative contribution to growth throughout this year as well as in the first half of 1998 due to the appreciation of sterling and the impact of financial turbulence in Asia, the Chancellor said.

Budget Forecasts

% changes	What happened in 1997	Forecast for 1998	Forecast for 1999	Forecast for 2000
GROSS DOMESTIC PRODUCT	3.0	2-2.5	1.75-2.25	2.25-2.75
DOMESTIC DEMAND	3.5	3.25-3.75	2.25-2.75	2.25-2.5
of which				
Consumer spending	4.5	3.75-4	1.75-2.25	2.25-2.5
Fixed investment	4.75	4.75-5.25	2.75-3.25	2.5-2.75
Government consumption	-0.5	1.25	2	2
Change in stocks % of GDP	0	-0.25	0.25	0-0.25
TRADE				
Exports	8.0	3.25-3.5	4.25-5	6-6.25
Imports	9.25	7.5-8	5.25-6	5.5-5.75
RPI *excluding mortgage payments*	2.75	2.75	2.5	2.5
BALANCE OF PAYMENTS *£ billion*	4.5	-6.5	-6.75	-6.5
PSBR* *£ billion*	5.0	3.9	1.7	-2.9

*excluding windfall tax

BUDGET BITE

Belly dancers contribute around £9m a year in taxes to the Egyptian economy.

Business reaction p18

CORPORATION TAXES

A crackdown on dodgers but rates are shaved

By Roger Trapp

THE CHANCELLOR yesterday unveiled plans to clamp down on company tax loopholes with a general anti-avoidance rule designed to save £1.5bn over three years. But he sugared the pill by announcing that the main rate of corporation tax will be cut to 30 per cent when advance corporation tax is abolished in April next year.

The move was broadly welcomed. However, there was concern about the latest attack on the ability of businesses to avoid paying taxes.

It is widely expected that the consultation paper on this issue due to be published next month will largely follow a paper published at the end of last year by the Tax Law Review Committee of the Institute for Fiscal Studies. This concluded that, while specific legislation should remain the key weapon, a general anti-avoidance rule could deter avoidance.

However, the tax faculty of the Institute of Chartered Accountants believes the committee has understated the practical difficulties inherent in such a rule and claims it would be no substitute for specifically targeted and clearly expressed anti-avoidance legislation. Moreover, advisers believe that Revenue officials driven by performance measures could be given too much of an upper hand without adequate safeguards.

Meanwhile, papers issued by the Treasury indicate that the crackdown on specific perceived abuses will continue with attacks on banks and financial traders that obtain excessive double taxation relief against UK tax for foreign tax payments, schemes to avoid tax on capital gains by bringing companies with gains into groups with capital losses and arrangements under which certain small occupational pension schemes avoid tax when they lose approval by transferring their assets to offshore trusts.

Mr Brown claimed that reducing the rates of corporation tax paid by an estimated 400,000 businesses to 30 per cent for large companies and 20 per cent for smaller ones would mean that companies paid £1.5bn less in corporation tax each year – creating an environment that would encourage investment and "contribute to making Britain the best place in the industrialised world in which to invest". The 30 per cent rate was the lowest for any major industrial country and the lowest ever rate of corporation tax in the UK, he added.

David Hands, spokesman for the Federation of Small Businesses, said he found the overall message "very encouraging". Though firms would be concerned about the detailed working of the working family tax credit scheme, they would be pleased by the extension of first-year allowances for expenditure on plant and machinery, which would benefit 90 per cent of businesses.

The organisation also welcomed the simplification of the regulatory burden resulting from the amalgamation of the National Insurance Contributions Agency with the Inland Revenue.

They were pleased by the reduction of the National Insurance payable by the lowly-paid workers they typically employ. However, advisers to high-tech companies were worried about the effect the rise in the rate would have on their clients' costs.

Mr Brown was also praised for creating much sought-after stability by stating that tax rates for the life of the parliament would be no higher than those announced yesterday. He also responded to criticisms of the planned quarterly system for paying corporation tax by making medium-sized companies as well as small enterprises exempt from the proposals. Accountants had argued that the detailed procedure for paying by instalments was neither fair nor practicable because it would be based on current-year profits rather than those in previous years.

However, advisers said that, since the threshold for large companies was profits of only £1.5m, the introduction of the quarterly payment system could still cause cashflow problems in the transitional period, and would continue to cause estimation problems in the years ahead. Some argued that companies should be able to reduce payments if they estimate their liability for the current year will be lower.

The Chancellor also sought to demonstrate to business that this government was on their side by measures designed to promote enterprise.

From next year, small companies – those with profits of no more than £300,000 – will be subject to a 20 per cent corporation tax rate, compared with 21 per cent at present and 24 per cent the year before. He said that this was especially significant because such organisations accounted for 85 per cent of tax-paying companies.

In addition, from April of next year the Inland Revenue would be helping small businesses set up payroll systems to ease the burden of taking on their first employees. However, accountants warned that this might amount to a "back-door" way of ensuring that firms set up their affairs in the way that the Revenue wanted.

Punished by the pound: Chairman Gerry Beetles talking to workers at Davis Derby, an industrial electronics company Photograph: Raymonds of Derby

SHOPFLOOR VIEW

Life gets even tougher for manufacturers

By Terry Macalister

THE HIGH value of the pound has caused huge problems for exporters like Davis Derby, an industrial electronics company which relies upon international markets for 20 per cent of its sales.

But there was little in Chancellor Gordon Brown's Budget yesterday to convince Gerry Beetles, the company's chairman, that things were going to get much better, at least on this score. "Manufacturers are being pushed closer and closer to the edge. I can see that life is going to get tougher," Mr Beetles said last night after listening to the Chancellor's speech.

Despite his fears on exchange rates, Mr Beetles was pleased at a raft of measures from the Chancellor specifically aimed at small businesses. "I was a bit suspicious whether the Government really was a friend of small businesses like mine. But some of the measures he announced really will make a difference."

The greatest applause came for the Chancellor's decision to cut capital gains tax on the sale of business assets held for over 10 years from 40 per cent to 10 per cent. "This allows us to think long-term and to hang on to a business even when people are banging on the door looking to buy, said Mr Beetles."

He is also pleased about measures to cut small companies' corporation tax from 21p to 20p. But he is worried that a rather "loose" Budget will lead to higher interest rates and aggravate the problems of a soaring pound.

In the last three years the Derby-based firm has discovered significant export growth out of supplying electronic equipment for forklift trucks. Manufacturers like Germany's Lansing Linde and Jungheinrich plus Atlet in Sweden have become vital "partners" as Mr Beetles describes them.

But he says domestic competitors in Germany and Sweden are pushing their way back because of the effect of the pound on the UK company's competitiveness.

The forklift truck sector is important for Davis, which was until recently dependent on an underground coal mining industry which has been in deep retreat, at least in Britain.

Davis began life over 200 years ago supplying safety lamps to the UK coalfields. It later went on to develop a range of safety equipment and was one of the first to see the potential for new products coming from the discovery of electricity.

The company now employs only 120 people but is engaged in more high-tech ventures like the black box performance indicators it builds for the forklift truck manufacturers.

Over the last three years it has become a lead player in the forklift sector although over the last 12 months it has suffered from the pound and uncertainty over Britain's position on EMU. Davis's exposure to South-east Asia is relatively limited but even so it believes the real fallout is yet to be felt.

Mr Beetles and his co-managers, who have built Davis' turnover to £7.5m, all have equity stakes.

The key to the future of smaller companies like Davis is that the Government encourages more indigenous investment in technology and that there is a better return for skills training. The Chancellor's measures announced yesterday should make some difference but past actions have not gone down well.

While the Government's rhetoric has suggested it cherishes small and intermediate-sized businesses, actions in the past have not convinced businessmen.

Last night Mr Beetles could see Davis was in for a rough period but there was also a sense of relief. There were also signs that the Chancellor had begun to build some confidence that New Labour meant New Attitude towards entrepreneurs.

BUSINESS REACTION

Brown pleases small firms but concerns remain over pound

By Terry Macalister

THERE was a mixed reaction last night from business to Chancellor Gordon Brown's Budget with industry expressing concern that little had been done to counter high interest rates and a soaring pound, but welcoming the wide range of measures to help small firms.

The Confederation of British Industry (CBI) gave a broad welcome saying it was encouraged by the overall fiscal balance and a "prudent" approach to public spending.

Adair Turner, the CBI's director-general said: "We also welcome a range of useful measures for small businesses and a sensible package of reforms designed to improve the operation of the labour market for lower-income earners."

The British Chambers of Commerce (BCC) also was pleased with the raft of measures introduced. "This is a valuable Budget for enterprise and employment. It is both prudent and positive. However, the acid test will be its impact on inflation, interest rates and the strength of sterling," said Dr Ian Peters, deputy director-general of the BCC.

But the Institute of Management said the Budget did not recognise the "two-tone economy of a flourishing and inflationary services sector and a manufacturing sector in pain."

While corporate tax benefits and simplification of collection would reduce costs, the biggest challenges faced by business at present was high interest rates and skill shortages, said a spokesman. "This Budget has done little to reduce the first and done nothing to encourage investment in improving the second," he added.

The same message came from the Engineering Employers' Federation, which has expressed deep concern about deteriorating conditions affecting their members.

Graham Mackenzie, the EEF's director-general said: "The key issue for engineering and manufacturing remains the exchange rate. Export order intake has been slackening for over 18 months and the adverse consequences for the engineering sector will mount through 1998."

But the EEF was pleased about the concessions on corporation tax for small companies and the extension of improved capital allowances.

The British Retail Consortium said the Budget would be neutral as whole for the economy, which would be good for its members. It welcomed the assistance to the lower paid and increased flexibility that would be given by changes to the structure of National Insurance.

But Colin Hunt, senior economist from the Bank of Ireland, said the Budget had failed to address "the animal spirit of consumer spending". He predicted it would lead to jitters from the Bank of England over interest rates.

Adair Turner of the CBI: 'Useful for small business'

Individual companies saw mixed benefits. British Airways said the Budget was "cautious and responsible". Dr Andrew Sentance, chief economist at BA added: "Changes to corporation tax and employee National Insurance payments will have some effect on us, like it will have on most major companies, but we welcome a Budget that is helping the lower paid as well as contributing to a greener environment."

Car manufacturer Ford also described it as a "prudent and sensible Budget", as much for what it left out as for what it contained. A spokesman said: "The Government has not been rushed into increases in company car taxation and the taxation of car parking spaces. We are pleased to note the £50 reduction in tax on cars with small capacity engines and that alternative fuel conversion is being incentivised on company cars."

The Chancellor, Gordon Brown, said low inflation and a high investment environment had created a "virtuous circle". The need now was for British business to lift productivity to fully take advantage of this. To help with this a range of incentives were unveiled which he believed would encourage long-term investment.

A key element was the abolition from April 1999 of Advanced Corporation Tax. In addition there will be a further 1p cut in the level of Corporation Tax to 30p. This will make it the lowest level of CT in any large European country.

This means an overall reduction of £1.5bn in the amount of CT paid by companies. A lower and fairer tax regime would help British business and make the UK the best place to invest.

Small and medium companies would be even better off. They would no longer have to pay CT by instalments. This would improve cash flow to the tune of £1bn a year, said the Chancellor.

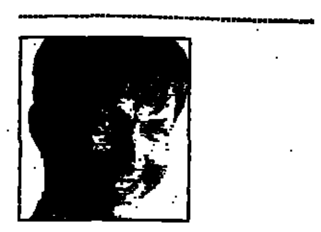
In addition, small companies' rate of tax will be cut in April 1999 from 21p to 20p and it will stay at that rate for the life of the current Parliament.

The Chancellor said he would make it easier to take on new employees with public financial help to set up payroll systems from April 1999.

BUDGET BITE

In 1905, Wisconsin instituted a tax on bachelors over the age of 30; Mussolini also introduced a bachelor tax in 1927. (They called it a bachelor tax, we call it a married man's allowance.) Mussolini also imposed a tax on goats in 1927.

Brown's softly, softly approach appears born of compromise



JEREMY WARNER

on a fiscally neutral Budget, neither radical nor prudent in reforming tax and benefits

LET'S start by looking at the way this Budget was billed. Gordon Brown said it was going to be a Budget that modernised the tax and benefit system, a Budget to "advance the ambition of all".

In the City, a fiscally neutral Budget was expected, one that would be much more about micro-economic policy than the wider macro picture. The Chancellor would immerse himself deep in the mysteries of the benefit system but the big numbers would remain largely unchanged.

In a pre-Budget TV discussion, Heritage Secretary Chris Smith said he expected a Budget that was both radical and prudent at the same time: radical in its attempted reform of tax and benefits but prudent in that the Chancellor would not spend money doing it.

And we had all been led to expect a "pro-business" Budget. Who could think anything else from new Labour?

In the end, it was a bit of all these things, a sort of "inbetweeny" Budget, neither particularly radical nor especially prudent – certainly not prudent enough to take the pressure off interest rates and the strong pound.

There was something faintly unsatisfactory and difficult to follow about it, too. It was as though the whole thing had been born out of compromise, rather than being the truly radical Budget Gordon Brown would want to be remembered by. Was there not more than a hint of Tony Blair's cautious, softly softly approach in this Budget?

Mr Brown could have tightened fiscally and thereby reduced the upward pressure on interest rates. He didn't. It could also have been done in a way that hit the better off disproportionately, but not in a way they could complain about – for example by abolition of Miras and the higher-rate tax relief on pension contributions. But there was none of that. It was as if Mr Brown was pulling his punches.

The over riding effect was to confuse. It was hard to tell from what the Chancellor was saying how much he was spending on his social reforms and how much he was raising to fund them.

Nor, in my humble opinion, was the Chancellor accomplished in the way he presented his case. To be fair, tax and benefit is a complicated, dense subject and it's not easy to make it compelling listening. All the same, you found yourself wondering just how much difference all this is really going to make. Certainly the Chancellor was not convincing in making us believe it would be significant.

The numbers in the Red Book, adorned this year by a picture of happy smiling children, rather confirm this impression. The Budget will be as near as damn it fiscally neutral next year, the extra spending on health, education and child support paid for by higher stamp duty and previously announced increases in excise duty on fuel.

Even in later years, where the combined effect of the measures does get into give-away territory, the numbers are still negligible in the scale of things. The costs of the working families tax credit, which at just £1.4bn seems hardly likely to wipe out poverty, is paid for largely by the road fuel escalator. In other words, measures to help the poor are funded by higher petrol costs but there's hardly any great reallocation of wealth going on.

What are the markets to make of it all? The neutral verging on the positive fiscal stance of the Budget means that the Bank of England's Monetary Policy Committee will almost certainly increase interest rates when it next meets. The doves, led by Eddie George, have been waiting only to see if the Chancellor was prepared to suck more money out of the economy. We now have the answer; he is not. Even Eddie will have turned hawkish overnight on this showing.

If nothing else, Mr Brown has answered a question. The Chancellor's central dilemma was always this: should he tighten fiscally in a way which would choke off buoyant consumer demand and as a consequence reduce the pressure of high interest rates and the strong pound on manufacturing industry? Or should he opt for a fiscally neutral budget and leave it up to the newly independent Bank of England to take care of the business cycle?

Now we know.

Actually, the Chancellor could have gone the other way. The buoyant state of the public finances also gave scope to spend more, tax less and still stay within guidelines. The Chancellor would like everyone to believe there is virtually no room for manoeuvre but, actually, there's plenty. Mr Brown has resisted the temptation and, as a consequence, piled up the war chest for pre-election giveaways early next millennium. From a macro-economic perspective, the Chancellor was probably wise to be neutral. The economy is slowing, we know that much. But we still have little idea about how fast. In his Monday column for *The Independent*, Gavyn Davies, chief economist at Goldman Sachs, said he believed the economy was at an important turning point and outlined three possible outcomes, all equally possible.

The first was the hoped for soft landing. Just as possible is a rapid decline into recessionary, or near recessionary, conditions. Alternatively, the consumer boom might continue, there would be an acceleration in inflation, followed by a slump.

The economic indicators point every which way you care to chose. Consumer spending remains buoyant, unemployment is continuing to fall, inflation is still above target notwithstanding the strong pound and, in some sectors, wage inflation is rampant.

On the other hand, the economy is slowing, manufacturing is close to recession, the public finances are in tip top shape, and the Asian crisis is depressing world growth.

To tighten fiscal policy in order to ease the pressure of interest rates and the strong pound, would have risked plunging the economy into recession. If, on the other hand, the Chancellor had eased his fiscal stance, the Bank of England might have been even more persuaded of the need for more rises in interest rates and there would have been no prospect of a let up for manufacturers.

So from the point of view of macro-economic policy, Mr Brown is probably wise in being neither one thing or the other. Unfortunately, he may have missed his place in history as a radical reforming Chancellor in the process.

CITY REACTION

Soaring shares leave traders fearful on rates

By Peter Koenig and Derek Pain

SHARES soared to record highs yesterday as the Chancellor presented his Budget despite warnings from the City the prospect of higher interest rates had increased as a result.

Although they may drift lower today, many stock market experts are convinced that equities still retain their long-term attractions. Forecasts that the FTSE-100, which closed last night at a record 5,834.9 points, could reach 6,600 by the year end remained intact.

Observed one strategist: "Shares have had such a good run ahead of the Budget and may drift lower today. I think the performance of Wall Street overnight could have a much greater impact on today's proceedings than Mr Brown's measures".

But analysts expressed strong disappointment at the Chancellor's economic strategy in the Budget yesterday.

"I thought the Government was a bit too generous," said Joanne Collins, senior market strategist at Nomura International. "Overall, the Chancellor tightened. But a lot of the money coming into the Treasury will now go *right* back out again."

Listening to the Chancellor's "Budget of a generation" to gauge its effect on sterling, Andrew Roberts, a fixed income strategist at UBS, said: "The Chancellor was passed the ball when last week the Bank of England did not raise interest rates. Now he's passed the ball back to the Bank of England."

Mr Roberts detected a "whiff of expansiveness" in the Budget, despite Mr Brown's claims to be tough with public money. He noted that the market's instantaneous reaction to the Budget was a re-repricing of short-term sterling future contracts indicating that currency traders expect that both UK interest rates and the pound will rise over the next several weeks.

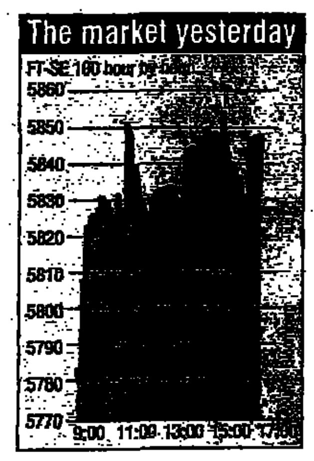
Nomura's Mr Collins raised the ghost of old Labour even more succinctly. "The Chancellor did not address the problem of excessive consumption," she said.

The City paid grudging respect to Mr Brown for a moderate tightening of the national books overall. "Last November he said the deficit this year was going to be £4.5bn. Now he's brought it down to £4bn," Collins said.

A rump in the City even gave Brown a cautious thumbs up. "The City's initial reaction to the budget is disappointment and the City's initial reaction is wrong," said Barclays Capital global strategist Michael Hughes.

Noting that gilts fell by five basis points [five one hundredths of a percentage point] against German government bonds in the 15 minutes following the Chancellor's speech, Mr Hughes suggested traders might come to a different conclusion this week. "What the City hasn't digested is

The market yesterday



the Chancellor's long-term framework for fiscal stability."

He said that everything Mr Brown that did was a preparation for the UK's ultimate entry into the single European currency. "I believe he means what he says when he talks about fiscal stability."

The effect of a less rigorous budget than the City expected is likely to have a mixed reaction on the stock market this morning. "The expectation of higher interest rates will be bad news for manufacturing company shares," said David Manning, head of UK equities for fund manager Foreign & Colonial. "But I think the stock market as a whole still has a ways to go. It will rise."

Mr Manning said that there was little in Brown's budget to deter international investors from buying UK service sector stocks. "It's the international investors who have been driving the market up in recent weeks as they've chosen UK shares over foreign companies in the same sectors," he said. "With sterling likely to rise, international investors should continue to like UK stocks not hurt by the strong pound."

Longer term strategists point to the huge cash piles held by institutional investors and the dwindling pool of shares as a result of cash take-over bids and share buy backs.

The Budget appears to have done nothing to reduce London's attractions to overseas investors.

Mr Brown's measures were seen as "slightly pro-equities" although any sustained weakness in the gilts market and higher interest rates could be restraining influences. Many felt the absence of any measures to reduce consumer spending could prompt higher rates.

Bob Semple, strategist at NatWest Securities, said: "The measures underpin the long term attractions of equities".

Transport shares rose in late trading in response to the help offered to bus operators, beer and tobacco shares had largely discounted the excise duty increases but might still suffer knee jerk reactions today.

House building shares are expected to benefit from the decision not to change mortgage tax relief.

The moves over savings were welcomed and would head off any threatened dribble of small selling orders.

Focusing on what Mr Brown did not do rather what he did – focus on the microeconomics of welfare reform – City executives said there was little in the budget to affect their businesses one way or the other in the medium term. "What will the Budget's effect on investment trusts be? Nil," said Michael Wrobel, head of investment trusts at fund manager Gartmore.

Instead, several analysts raised the suspicion that, despite all the talk about fiscal toughness, Mr Brown's first fully-fledged budget was worryingly Old Labour. "Brown could have skimmed the froth off the economy," UBS's Roberts said. "He could, for example, have done away with mortgage relief. But he didn't."

Budget watch: A trader at Deutsche Morgan Grenfell in London giving Gordon Brown her full attention yesterday Photograph: Andrew Buurman

SMALL BUSINESSES

Boost for investment in new companies

By Barrie Clement
Labour Editor

THE CHANCELLOR sought to encourage investment in small and new businesses particularly in the hi-tech sector.

As part of Mr Brown's package to stimulate innovation, he will create a £50m "university challenge fund" aimed at promoting commercial research at universities. He also promised to reduce the cost of taking on new employees and cut back on red tape.

The Chancellor announced that the Enterprise Investment Scheme (EIS) and capital gains reinvestment relief are to be "rationalised" into a unified system to encourage investment in new shares.

The initiative will abolish the £1m limit on the amount of money that can be raised every year. Participation will be limited to companies with gross assets of less than £10m before an investment and no more than £11m after it.

There would also be benefits for investors in new companies. As part of the new measures there will be an increase by half to £150,000 a year in the amount an individual can invest in eligible shares with the benefit of income tax relief and exemption from capital gains tax on gains made after five years.

There will be measures to "sharpen the focus" of the schemes and ensure that the funds they raise are used to benefit ventures which carry "an appropriate degree of risk" and help investors who share the risk.

Ken Aitken, head of tax in Scotland for the accountants Kidsons Impey, pointed out that there was a low take-up of the existing EIS scheme because it was aimed at encouraging investment in high-risk businesses. Perversely the Chancellor had removed asset-backed companies from qualifying activities which on the face of it made investment even more risky, said Mr Aitken.

He said that the Chancellor clearly hoped to counteract this by merging EIS with reinvestment relief. This should attract a wider range of investors with more to spend, Mr Aitken said.

Referring to his university fund to promote practical scientific and technological development, Mr Brown said that it was time to end the process by which British developments went on to become successful products produced by companies abroad.

Mr Brown said the fund would, "invest today in the innovative businesses that will create wealth and jobs tomorrow".

Geoffrey Robinson, Paymaster General urged universities to take up the challenge: "This country's science base is world class. By unlocking the potential of university research, Britain will reap the benefit through jobs ad growth."

University chiefs, academics and union leaders welcomed the initiative, but warned that considerably more would have to be invested in order to protect the country's science base.

Diana Warwick, chief executive of the Committee of Vice-Chancellors and Principals said colleges stood ready to play their part in the fund. "But it is essential that the Government's comprehensive spending review delivers necessary public investment to maintain basic research equipment which underpins innovative research in universities.

John Mulvey, director of the Save British Science Society, welcomed the venture capital fund but said the Government should be aware that university research laboratories needed £500m to bring them into line with international competition.

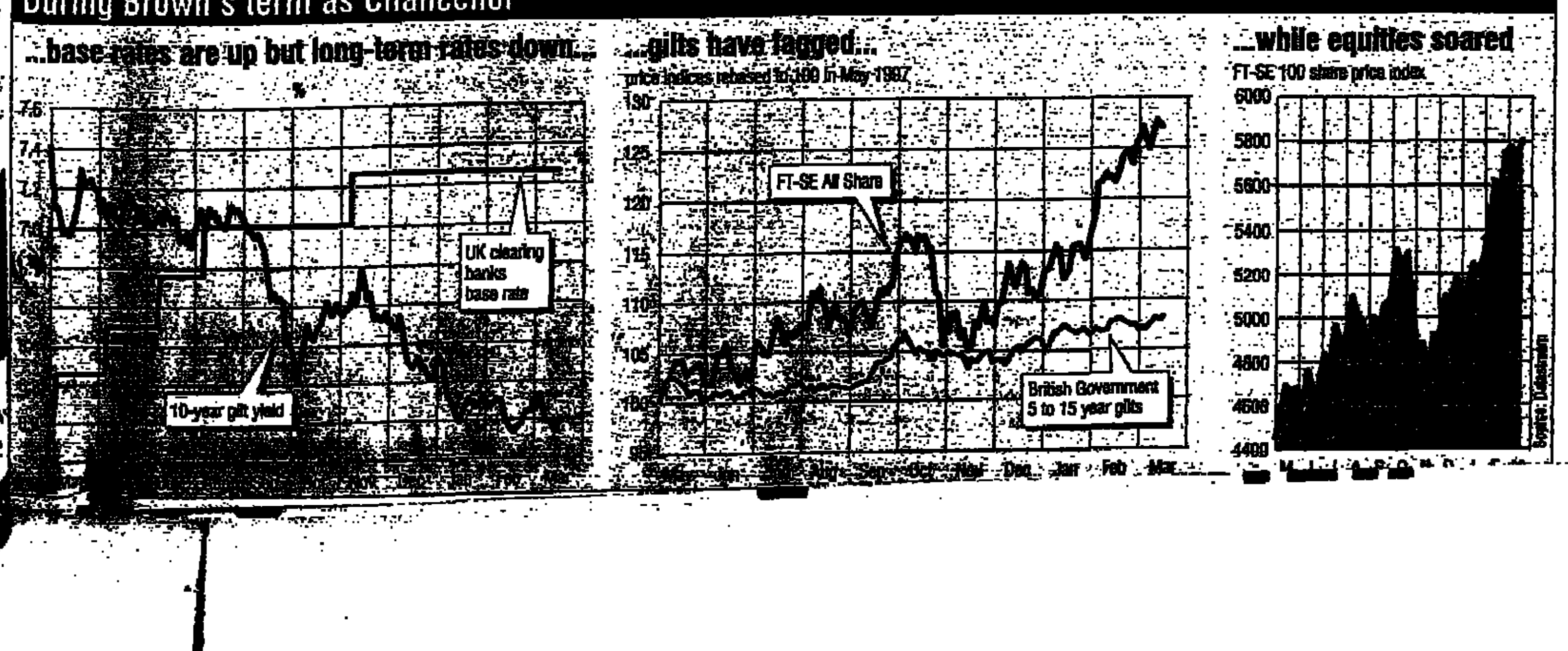
"This is a step in the right direction, but there isn't a lot of point providing venture capital if the university laboratories become so run down and seedy that no one wants to develop anything in them," Dr Mulvey said.

A new Inland Revenue and Contributions Agency is to be established to provide one-to-one help for new employers attempting to understand the intricacies of the taxation system, National Insurance and Benefits.

The Treasury believes the service will reduce one of the main barriers to establishing and running a business, making it easier and cheaper for small businesses to take on their first employee.

The impact p20

During Brown's term as Chancellor



BUDGET BITE

Last word:
When Napoleon's sister Elisa Bonaparte was on her deathbed in 1820 she was told that nothing was as certain as death.
She is said to have replied: "Except taxes," and promptly expired.

How the income tax changes affect you

Tax rate bands

Taxable income band, £	Income tax rate	Income bands £	NIC rate
0 - 4,300	20%	0 - 3,328	0
4300 - 27,100	23%	3,328 - 25,220	10%
above 27,100	40%	25,220 & above	0

plus 2% on first £3,328

Personal allowances

	£ 1997-98	1998-99
Personal Allowance	4045	4195
Personal Allowance (65-74)	5220	5410
Personal Allowance (75-and over)	5400	5600
Married Couples Allowance *	1830	1900
Married Couples Allowance (65-74)	3185	3305
Married Couples Allowance (74-and over) *	3225	3345
Blind Person's Allowance	1280	1330
Income Limit For Age Related Allowances	15600	16200
* Allowances where relief restricted to	15%	15%

Married persons tax

Gross annual income	Monthly tax and N1 1997-98	Monthly tax and N1 1998-99	New net monthly salary	Monthly change in net salary
5,000	20.17	19.48	397.19	0.69
10,000	142.85	137.91	695.42	4.94
15,000	280.35	275.41	974.59	4.94
20,000	417.85	412.91	1253.76	4.94
25,000	548.52	550.41	1532.92	(1.89)
30,000	644.35	648.08	1851.92	(3.73)
35,000	808.97	796.4	2120.27	12.57
40,000	975.63	963.06	2370.27	12.57
50,000	1308.97	1296.4	2870.27	12.57
60,000	1642.3	1629.73	3370.27	12.57
75,000	2142.3	2129.73	4120.27	12.57
100,000	2975.63	2963.06	5370.27	12.57

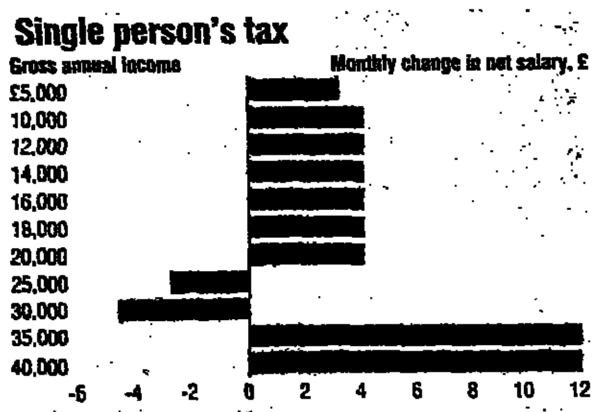
Single person tax

Gross annual income	Monthly tax and N1 1997-98	Monthly tax and N1 1998-99	New net monthly salary	Monthly change in net income
5,000	36.09	32.9	383.77	3.19
10,000	165.73	161.66	671.67	4.07
15,000	303.23	299.16	950.84	4.07
20,000	440.73	436.66	1230.01	4.07
25,000	571.39	574.16	1509.17	(2.77)
30,000	667.23	671.83	1828.17	(4.6)
35,000	831.84	820.15	2096.52	11.69
40,000	998.51	986.81	2346.52	11.7
50,000	1331.84	1320.15	2846.52	11.69
60,000	1665.17	1653.48	3346.52	11.69
75,000	2165.17	2153.48	4096.52	11.69
100,000	2998.51	2986.81	5346.52	11.7

Married person's tax 65-74

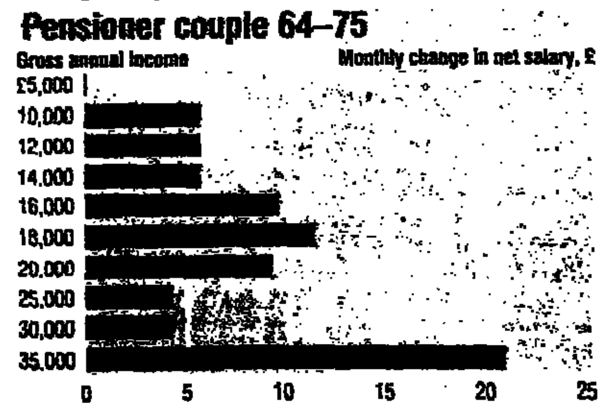
Gross annual income	Monthly tax and N1 1997-98	Monthly tax and N1 1998-99	New net monthly salary	Monthly change in net income
5,000	0	0	416.67	0
10,000	41.55	35.91	797.42	5.64
15,000	137.39	131.75	1118.25	5.64
20,000	268.55	259.43	1407.24	9.12
25,000	368.51	364.26	1719.87	4.25
30,000	464.35	469.1	2039.5	[illegible]
35,000	628.96	608.42	2308.25	20.54
40,000	795.63	775.08	2558.25	20.55
50,000	1128.96	1108.42	3058.25	20.54
60,000	1462.29	1441.75	3558.25	20.54
75,000	1962.29	1941.75	4308.25	20.54
100,000	2795.63	2775.08	5558.25	20.55

Single person's tax



Married couple

Pensioner couple 64–75



Friends must pay for Gordon pleasing mum

Circle of influence: From left-right, working back – Mr and Mrs John Brown; Sarah Macauley; Charles Whelan: John Brown; Ed Balls and Andrew Brown

Photomontage: Jonathan Anstee

There'll be a welcome in the Highlands but gloom at the bar, says John Willcock

GORDON Brown's second Budget will get a mixed reaction from his nearest and dearest. His family are likely to be delighted with his boosts to public transport and the like, but his hard-drinking, hard-smoking advisers may be regretting what they have helped to unleash.

The Chancellor is literally a son of the manse. His father, John, is 83 and a retired minister in the Church of Scotland, which no doubt helps to explain Gordon's Calvinistic virtues. John and Elizabeth Brown live in a small bungalow in Insch, Aberdeenshire.

They don't smoke or drink and don't drive a car much these days, so all their son's increases in duties on these things will leave them unaffected.

Even better, young Gordon has promised to spend another £500m on public transport over the next three years, concentrating on rural areas – just like Aberdeenshire, in fact.

If they have any Peps or Tessas, they will be delighted that they can now roll them into an ISA with impunity, a shocking U-Turn from Brown Junior. Did they have a word with him?

With Gordon pondering a marriage proposal to his girlfriend Sarah Macauley, John and Elizabeth Brown will no doubt be wondering about wedding gifts and passing on the family silver. Rather a relief then that Gordon hasn't abolished the gifts on marriage exemption. Does this point to a spring wedding?

He's also raised the inheritance tax threshold by £8,000 to £223,000. Not that his parents' charming but modest bungalow can be worth much more than £70,000.

Two lads who will be less than delighted by the personal impact of the Budget are, paradoxically, two of Gordon's closest henchmen. Ed Balls, economic adviser to the Chancellor, and Charlie Whelan, Mr Brown's blunt speaking press spokesman.

Both of them smoke, drink and are mad about football. Ed supports Norwich and Charlie Spurs. At least Gordon didn't put a new tax on soccer clubs. As for Customs & Excise, Ed and Charlie will have to stomach 1p on beer, 4p on a bottle of Australian Chardonnay and another 20p on a packet of 20 gaspers. Perhaps the plan is that Number 11 will turn into a Spirits Only Zone, since the hard stuff like gin and vodka escape any increase in duties.

Ed is married to Yvette Cooper MP, Labour member for Pontefract. The couple have a flat in Islington, north London, and have recently bought a detached house in Castleford, in Yvette's constituency.

The Islington flat is probably worth around £180,000 while they can't have paid much less than £110,000 for the house in Yorkshire. Massive sighs of relief all round from Ed and Yvette, then, that their leader Gordon has unexpectedly left mortgage interest relief untouched. And not only that. He's introduced tax breaks on insulating homes to conserve energy. No doubt Ed and Yvette will be spending their Easter break in Castleford carrying bales of insulation up to the loft.

It will also pay the couple to hang on to the northern love nest for as long as possible following Gordon's changes on capital gains tax. The rate of tax on any capital gain they make on their second home will be subject to a shrinking rate, bottoming at just 24 per cent.

The price of petrol going up 4.4p per litre would have been pretty important with all that driving up to the constituency and back south to London, except it would be covered by Yvette's travel allowance. Even so, a small eco-friendly car might be the politically correct next step.

As a special adviser to the Chancellor, Ed is probably on around £80,000, while Yvette will receive the MP's salary of £44,000 plus various allowances. They may regret the absence of a 10 per cent income tax band to pay for those little luxuries.

Meanwhile Gordon's girlfriend, Sarah Macauley, is a single high-earning professional who "dresses discreetly and owns her own place," according to a colleague.

She's a partner in the independent press relations firm Hobsbawm Macaulay, and probably takes home around £100,000 a year. Her clients are mainly ethical, Labour-type causes and blue chip companies.

As the co-proprietor of a small business, Sarah could not have hoped for a better pre-nuptial present from Gordon. He's cut taxes on small businesses by a penny, and if the firm wants to add to its dozen or so employees, National Insurance rates have been simplified, making it cheaper to hire people at the bottom end of the ladder.

Better still for Hobsbawm Macaulay, Gordon has backtracked on his original proposals to introduce accelerated corporation tax payments.

Sue Nye, personal assistant to the Chancellor, is the richest of the lot. She is married to Gavyn Davies, the senior economist with US-owned investment bank Goldman Sachs in London, and a columnist for this very organ. Gavyn's earnings alone make them millionaires. No doubt he will be studying the small print of his pal's Budget to see if his personal tax planning arrangements have been hit.

The couple possess two piles, in Islington (of course) and Devon, prices of which could be half a million each upwards. So its just as well they already own them, what with Stamp Duty going up for property deals worth over £200,000.

The couple have two children, with another one on the way, but being so wealthy they will miss out on Gordon's Working Family Tax Credit.

How the budget affects your pocket

Dual income family

	1997-98 £pa	1998-99 £pa **	Change £pa
Income	50,000	50,000	0
Child benefit	1,043	1,043	(0)
Income tax	(11,979)	(11,811)	168
Value of MCA*	275	285	10
Tax relief on his £3000 pension*	1,200	1,200	0
National Insurance	(3,702)	(3,790)	(88)
Mortgage Repayments	(5,277)	(5,033)	244
Domestic fuel bills	(840)	(840)	0
Net income†	30,720	31,054	334
Duty: Wine	(780)	(786)	(6)
Duty: Spirits	(180)	(180)	0

Gain/(loss) £328

Company car & fuel benefit	5,677	5,947

Assumptions:
Dual income family + two children. He earns £32,000, she earns £18,000.
Company car costing £20,000; 2,000cc; 5,000 business miles pa; fuel provided by employer. Mortgage £80,000; interest rate 6.99%; repayment. Domestic fuel £800+VAT.
Drinks wine; 3 bottles/week at £5 per bottle, and spirits; 1 bottle/month at £15 per bottle.
*Effect of MCA and pension relief not included in income tax figure.
†After mortgage pension and fuel bills.

[illegible]

	1997-98 £pa	1998-99 £pa **	Change £pa
Income	85,000	85,000	0
Income tax	(27,822)	(27,586)	236
Value of MCA*	275	285	10
National Insurance	(2,160)	(2,256)	(96)
Share dividends after tax	600	600	0
Mortgage repayments	(2,481)	(2,516)	(35)
Domestic fuel bills	(1,260)	(1,260)	0
Net income†	52,152	52,267	115
Duty: wine	(2,548)	(2,548)	0
Duty: petrol	(1,813)	(1,938)	(125)

Gain/(loss) (£10)

Assumptions:
He earns £85,000, she earns nothing.
Domestic fuel £1,200+VAT
His own car; 10,000 miles pa at 20 mpg unleaded petrol at £2.90/gallon now.
Her own car; 5,000 miles pa at 40 mpg; unleaded petrol at £ 2.90/gallon now.
Mortgage £40,000; int rate 6.99%; repayment.
Drinks 7 bottles of wine per week at £7 per bottle, don't smoke.
2 adult children. Share portfolio £25,000; yield 4% pa (gross).
†After mortgage pension and fuel bills.

[illegible]

	1997-98 £pa	1998-99 £pa **	Change £pa
Income	25,000	25,000	0
Income tax	(4,697)	(4,656)	41
National Insurance	(2,160)	(2,234)	(74)
Rent	(6,000)	(6,000)	0
Domestic fuel bills	(420)	(420)	0
Net income†	11,723	11,690	(33)
Duty: Wine	(366)	(366)	0
Petrol	(967)	(1,033)	(66)
Cigarettes	(1,092)	(1,168)	(76)

Gain/(loss) (£175)

Assumptions:
Single female earning £25,000 pa.
Domestic fuel £400+VAT.
Her own car; 10,000 miles pa at 30mpg; unleaded petrol at £2.90.
Drinks 1 bottle of wine a week at £7 a bottle and smokes 7 packets a week at £3.
†After rent and fuel bills.

[illegible]

	1997-98 £pa	1998-99 £pa **	Change £pa
Income	30,108	30,295	187
Income tax	(4,589)	(4,552)	37
Value of MCA	275	285	10
Domestic fuel bills	(630)	(630)	0
Net income†	25,164	25,398	234
Duty: Spirits	(780)	(780)	0

Gain/(loss) £232

Assumptions:
Recently retired pensioner couple, both aged between 65 and 74.
Domestic fuel £600+VAT. Don't smoke but drink 1 bottle of scotch a week at £15.
He is on £18,918 occup. pension + £3,247 SRP; She is on £6,000 occup. pension + £1,942 SRP. Total £30,107.
†After fuel bills.

Recent graduate

	1997-98 £pa	1998-99 £pa **	Change £pa
Income	12,000	12,000	0
Income tax	(1,707)	(1,666)	41
National Insurance	(942)	(934)	8
Rent	(3,000)	(3,000)	0
Domestic fuel bills	(420)	(420)	0
Net income†	5,931	5,980	49
Duty: Beer	(1,144)	(1,149)	(5)
Cigarettes	(1,092)	(1,168)	(76)

Gain/(loss) (£32)

Assumptions:
Recent graduate earns £10,000. Rent £3,000. Domestic fuel £400+VAT.
Drinks 10 pints beer/wk at £2.20/pint now. Smokes 7 packets a week at £3 a packet.
†After rent and fuel bills.

Low income family

	1997-98 £pa	1998-99 £pa **	Change £pa
Salary	7,280	7,280	0
Family credit	4,282	4,378	96
Child benefit	1,510	1,511	0
Income tax	(372)	(332)	41
National Insurance	(470)	(462)	8
Rent	(1,560)	(1,560)	0
Domestic fuel bills	(683)	(683)	0
Net income†	9,987	10,132	145
Duty Beer	(343)	(349)	(6)
Cigarettes	(780)	(835)	(55)

Gain/(loss) £84

Assumptions:
2-parent family with 3 children, earning £140 per week.
Domestic fuel £850+VAT. Drinks 3 pints beer/wk at £2.20/pint now.
Smokes 5 packets a week at £3 a packet.
†After rent and fuel bills.

[illegible]

	1997-98 £pa	1998-99 £pa **	Change £pa
Emoluments, exc £30k k pension	300,000	300,000	0
Income tax	(118,151)	(118,075)	76
National Insurance	(2,160)	(2,256)	(96)
Mortgage payments	(15,063)	(13,840)	1,223
Net income†	164,626	165,829	1,203

Gain/(loss) £1,203

Car & fuel benefit	10,823	11,223

Assumptions:
Rich "fat cat" director Salary £300,000. Single. Company car cost £40,000; 4,000cc; 5,000 business miles pa; fuel provided by employer.
Mortgage £220,000 loan, interest 6.99%, repayment.
Employer pays £30,000 into pension scheme.
†After mortgage pension and fuel bills.
** Effect of changes in a full year